REPUBLIC OF TURKEY
PRIME MINISTRY
STATE PLANNING ORGANIZATION

Turkey. Devlet planlama teşkilâtı.

A SUMMARY OF THE THIRD FIVE YEAR DEVELOPMENT PLAN

1973-1977

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INTRODUCTION

The purpose of this document is to bring out the salient features of the Third Five Year Plan in a summarized form.

The summary is made up of six parts, the order of which broadly correspond to those of the Third Five Year Plan. As such, it serves as a primer to the Third Five Year Plan and should be studied in conjunction with the original text.

Part I is a brief review of the developments during the "planned" period of 1963-1972. Part II is devoted to the statement of the objectives and targets in the long run. In Part III, the macroeconomic objectives, targets and equilibria of the Third Five Year Plan are presented. Part IV includes the sector programmes as envisaged under the Plan and a chapter on social infrastructure. Policy issues and reforms are dealt with in Part V and in Part VI, respectively.

To keep the summary of a voluminous text in reasonable bounds, this document is prepared to serve primarily the policy-oriented economist. This is the reason why Part V on policy measures is taken from the Plan in its entirety. The reader interested in social planning would be advised to refer to the original text, if the Chapter on Social Infrastucture proves unsatisfactory in providing answers to his questions.

PART I

REVIEW OF THE DEVELOPMENTS DURING THE PRECEDING PLAN PERIODS

I.1. INTRODUCTION

The First and Second Five Year Plans of Turkey have marked definite stages in the country's economic progress. The First Plan was instrumental in creating most of the basic infrastructure for economic growth, while the Second Plan accelarated the pace of industrialization. Consequently a substantial increase in national and per capita incomes have been achieved. The Gross National Product (GNP) has shown an increase of about 65% during the period 1963-1971 rising from 108.7 1/ billion TL. to 179.3 billion. The share of agricultural sector in the GNP has decreased from 41.2% in 1963 to 28.1% in 1972, while the share of the industry has increased from 16.8% to 22.6% during this period. Similarly, the per capita income has risen from 3640 TL. to 4901 TL. During this period the weighted average of the imports has grown at about 8.7% p.a. while that of exports at about 7.0%. Accordingly, the volume of the foreign trade has grown from 1.05 billion dollars to 1.85 billions.

1/ Based on 1971 prices and in accordance with the new GNP Series.

During this period the investment has increased from 16.7 billion to 32.4 billion TL. About 92% of the total investment figure of 215.4 billion TL. has been realized through internal resources. Though the contribution of external resources to total savings was subject to annual fluctuations, the trend is one of gradual decrease.

The rate of literacy of the school age population have increased from 40% in 1963 to 54% in 1970. 1/ During the same period percentage of inhabitants living in single rooms have decreased from 24% to 16%. Similarly the percentage of the population not benefiting from electricity has fallen from 69% to 62%.

In spite of the positive developments mentioned above, however, Turkey has not been able to provide complete solution to her problems. These aspects of the economic development will be discussed later in the summary.

Turkey's approach to economic planning has been pragmatic, all along resulting in the achievment of an average rate of growth, only fractionally lower than 7% as envisaged in the first two plans. The outcome of this approach is reflected in some of the facts and figures stated above.

1/ Census of population 1970.

As regards the social infrastructure, the ultimate goal of all efforts in the economic and social fields has been to move as fast as possible towards the attainment of a "Welfare State" in accordance with Turkish Constitution and in line with the cultural heritage of the country.

It is sufficient to mention here that the economy has witnessed a fairly high rate of growth during the planned period. The investment ratios have gone up fairly well, both because of the increasing domestic savings and of the inflow of foreign assistance. The economy has already undergone a significant structural change which is evident in the rising contribution of industrial sector to GNP, increasing employment and rising exports. In short, the indications are that the economy now is poised for a more ambitious development effort.

In the foregoing paragraphs the efforts and the achievements of the past ten years economic development in Turkey has been outlined in general terms. It would therefore be useful at this juncture to analyse these achievements in somewhat detailed manner.

I.2. RATE OF GROWTH AND STRUCTURAL CHANGES

During the past ten years the Turkish economy on the whole has achieved a fairly high rate of growth in real terms. Indications are that in the first two plan periods this rate of growth has been only fractionally below the planned target of 7%.

Table I.01 below shows the actual rates of growth for the First and the Second Plan periods along with targets envisaged in the Plans.

Table I.01: The Annual Growth Rates of the Sectors

Sector	First Plan Target	First Plan Actual	Second Plan Target	Second Plan Actual a/
Agriculture	4.2	3.2	4.1	3.1
Industry	12.3	9.7	12.0	7.6
Services	6.8	7.9	6.3	7.7
Construction	10.7	8.0	7.2	6.6
Transport	10.5	7.2	7.2	7.8
Housing	..	8.1	5.9	8.2
Other Services	..	8.0	6.0	7.9
Domestic Income (at factor cost)	6.9	6.4	6.8	6.1
GNP	7.0	6.7	7.0	6.9

a/ Covers the period 1968-1971

This, being the average GNP rate of growth, necessarily calls for subtracting the average population growth of 2.7% per year; resulting in a per-capita increase of 4.3% which compares favourably with the rates of growth of the OECD countries which on the average have been about 4.8% during the past ten years.

The contribution of agricultural sector to the GNP has declined from about 31.5% to 28.1%, while that of industrial sector has increased from 20.6% to 22.6% during the Second Plan period. Within the industrial sector, the share of manufacturing industries as compared to other branches of industry has also increased substantially. This shows that the economy is becoming progressively industrialised and its preponderant dependence on agriculture is diminishing. The structural change in the economy has profound implications for future growth rates. The high rate of growth of manufacturing industries leads to an increase of their relative weight which, in turn, is likely to have a decisive influence on the aggregate rate of growth. These facts, along with the related factors are considered as the main elements for the long term strategy and for the projections of the Third Plan.

Table I.02 : Sectoral Contributionsto GDP and GNP (Percentage Shares)

Sectors	Gross Domestic Product (GDP)					Gross National Product (GNP)				
	1963	1967	1971	1972 Second Plan Target	1972 Estimate of Actual	1963	1967	1971	1972 Second Plan Target	1972 Estimate of Actual
Agriculture	41.2	35.4	31.5	31.1	28.1	35.7	30.2	26.2	25.9	24.3
Industry	16.8	19.5	20.6	24.6	22.6	14.6	16.7	17.1	20.5	19.6
Services	42.0	45.1	47.9	44.3	49.3	36.4	38.6	39.8	36.9	42.6
- Construction	5.6	6.1	6.2	6.1		4.9	5.2	5.2	5.1	
- Transport	6.6	6.8	7.2	7.1		5.7	5.8	6.0	5.9	
- Housing	3.4	3.7	4.0	3.6		2.9	3.2	3.3	3.0	
- Other Services	26.4	28.5	30.5	27.5		22.9	24.4	25.4	22.9	
Domestic Income (at factor cost)	100.0	100.0	100.0	100.0	100.0	86.6	85.6	83.1	83.3	86.5
GNP						100.0	100.0	100.0	100.0	100.0

As seen from the Table I.02, the share of industrial sector in GDP and GNP has been rising which indicates that it is becoming the leading sector in the economy as envisaged in the Plans. The divergent growth rates of agriculture, industry and services envisaged in the Plans, led inevitably to a structural change in the economy which appears to be fairly pronounced despite the short span of time.

I.3. INVESTMENT, SOURCES AND ALLOCATIONS

The investment as proposed in the Second Plan was of a fairly capital-intensive kind, compared to the First Plan. For a capital-output ratio of 3.2 (excluding stocks), investment requirements were greater.

The actual overall supply and use of resources is given below:

Table I.03: Use of Resources (As Percentage of GNP)

	1962	1967		1972	
		Planned	Realized	Planned	Estimates
Expenditure for Gross Capital Formation	15.1	18.6	18.4	23.5	21.0
-Fixed Capital Formation	13.7	16.9	16.5	22.1	20.1
-Change in Inventories	1.4	1.7	1.9	1.4	0.9
Consumption Expenditures	88.9	84.2	82.8	78.2	80.4
-Public	11.9	12.7	12.3	13.5	15.2
-Private	77.0	71.5	70.5	64.7	65.2
Total Expenditures	104.0	102.8	101.2	101.7	101.4

The share of fixed capital investment in GNP and its financial resources are shown in Table I.04 below.

Table I.04: Sources of Capital Accumulation

(As percentage of GNP)

	First Plan		Second Plan	
	Target	Realization	Target	Realization
The Share of Fixed Investment in GNP	18.3	16.0	21.3	19.3
-Domestic Resources	14.8	14.2	19.4	18.0
-Foreign "	3.5	1.8	1.9	1.3

During the First Plan Period the marginal saving ratio realized was 32.0%, while this ratio is expected to be 25.7% for the Second Plan Period.

The rate of increase of the public and private sector investments and the share of the public and private sector in total investment are shown in Table I.05 below.

Table I.05: Planned Capital Investment by Public And Private Sectors

Type of Investment	First Plan		Second Plan	
	Target	Realization	Target	Realization
Average Annual Rate of Increase (%):				
Total Investment	10.7	9.4	11.2	10.8
-Public Sector	10.6	8.5	10.0	10.7
-Private Sector	11.0	10.5	12.5	11.0
As Percentage of Total Investment	100.0	100.0	100.0	100.0
-Public Sector	59.9	52.4	52.6	53.1
-Private Sector	40.1	47.6	47.4	46.9

It will be seen from Table I.05 that the share of the public sector in the total investment has been below the target set for the First Plan period. However, during the Second Plan period the share of the public sector has exceeded the Plan target.

During The First Plan the capital-output ratio of 2.6 was realized. For the Second Plan period the capital-output ratio has been forecast as 3.2; however preliminary estimates indicate that it would be around 3.0.

Most of the investment during the planned period has gone into the fields of transport, energy, housing, education and other services (See Table I.06).

Table I.06: Sectoral Distribution of Investments
(As percentage of total fixed investments)

	First Plan		Second Plan	
	Target	Realization	Target	Estimate
Agriculture	17.7	15.3	15.2	11.8
Mining	5.4	5.6	3.7	3.5
Manufacturing	16.9	19.6	22.4	25.7
Energy	8.6	6.1	8.0	8.5
Transportation	13.7	15.6	16.1	16.4
Tourism	1.4	1.3	2.3	2.1
Housing	20.3	22.3	17.9	20.2
Education	7.1	6.5	6.7	4.7
Health	2.3	1.7	1.8	1.5
Other Services	6.6	6.0	5.5	5.5
Development Fund	-	-	0.4	0.1
Total Investments	100.0	100.0	100.0	100.0

I.4. DEVELOPMENTS IN THE FIELD OF PUBLIC FINANCE

I.4.1.The Public Sector

The Public sector comprises the General and Annexed Budgets, Local Administrations, Revolving Funds and State Economic Enterprises.

During the first two plans, total public revenue and expenditures have approached the levels envisaged in the Plans. However, the composition of the public expenditures reveals that the realization in the field of public current and transfer expenditures has been above the Plan targets while the public investment expenditures was lower than planned.

The targets and realization of public revenue and expenditures are shown in Table I.07.

Table I.08 and Table I.09 represent the position with regards to public sector's "Expenditures" and "Revenue" only for the first four years of the Second Plan.

Table I.07: Public Sector Revenue and Expenditures (1963-1971) [a/]

(Current Prices, TL. Billion)

	Plan Target	Realization	Realization %	Plan Target	Realization	Realization %
Total Revenue	102,105	92,222	90.3	156,421	145,453	93.0
Tax Revenue	64,107	55,999	87.4	96,199	90,372	93.9
Revenue other than Taxes	6,330	6,193	97.8	7,090	15,306	215.9
Own Resources and Funds	15,519	17,023	109.7	31,551	20,166	63.9
Project Credits and Counterpart Funds	8,443	7,960	94.3	10,196	13,662	134.0
Savings Bonds	3,587	3,335	93.0	5,038	3,423	67.9
Additional Financing	4,119	1,712	41.6	6,347	2,524	39.8
Total Expenditures	102,105	93,904	92.0	156,421	154,844	99.0
Current Expenditures and Transfers	60,190	60,784	101.0	94,156	100,280	106.5
Investment Expenditures	41,915	33,120	79.0	62,265	54,564	87.6
Balance		-1,682			-9,391	

a/ Plan targets are adjusted both in prices and in definition to render comparisons with the realized expenditures meaningful.

Table I.08: Public Expenditure Targets and Realization for the Second Five Year Plan a/

(TL. Billion, Current prices)

	1968	1969	1970	1971	1968-1971 (Total)
PLAN TARGETS					
Public Expenditures	29,198	33,395	40,504	53,324	156,421
Public Current Expenditures	13,680	15,609	18,531	23,562	71,382
Public Investment Expenditures	11,380	13,189	15,149	21,547	62,265
Transfer Expenditures	4,138	4,597	5,824	8,215	22,774
REALIZATION					
Public Expenditures	28,331	32,200	40,523	53,790	145,844
Public Current Expenditures	12,422	13,678	16,820	24,645	67,565
Public Investment Expenditures	11,156	12,763	14,442	16,203	54,564
Transfer Expenditures	4,753	5,759	9,261	12,942	32,715
REALIZATION RATIO					
Public Expenditures	97.0	96.4	100.0	100.9	99.0
Public Current Expenditures	90.8	87.6	90.8	104.6	94.6
Public Investment Expenditures	98.0	96.8	89.4	75.2	87.6
Transfer Expenditures	114.9	125.3	159.0	157.5	143.7

a/ See Footnote of the Table I.07

Table I.09: Revenue Targets for the Second Five Year Plan and Realization a/

(TL. Billion, Current Prices)

PLAN TARGETS:	1968	1969	1970	1971	1968-1971 (Total)
Tax Revenue	18,162	20,932	25,017	32,088	96,199
-Direct	5,173	6,030	7,280	9,456	27,959
-Indirect	12,989	14,882	17,737	22,632	68,240
Revenue other than Taxes b/	1,494	1,573	1,853	2,170	7,090
Own Resources and Funds	5,748	6,413	8,074	11,316	31,551
Counterpart Funds	2,184	2,420	2,647	2,945	10,196
Savings Bonds	920	1,089	1,324	1,705	5,038
Additional Financing Requirement	690	968	1,589	3,100	6,347
Total Revenue	29,198	33,395	40,504	53,324	156,421
REALIZATION					
Tax Revenue	16,439	19,460	23,093	31,440	90,372
-Direct	5,695	6,775	8,640	11,844	32,954
-Indirect	10,744	12,625	14,453	19,596	57,418
Revenue other than taxes b/	2,240	2,147	5,313	5,606	15,306
Own Resources and Funds	5,432	5,295	5,288	4,131	20,166
Counterpart Funds	1,796	2,063	5,507	4,296	13,662
Savings Bonds	625	731	882	1,185	3,423
Domestic Borrowing (Additional Financing Requirement)	514	610	600	800	2,524
Total Revenue	27,066	30,246	40,683	47,458	145,453

a/ See Footnote of the Table I.07. b/ The contents is the same of Table I.07.

I.4.2. Changes in the Budget Structure

Table I.10 below indicates the expenditure position as regards to the Consolidated Budget during the past ten years.

Table I.10: Consolidated Budget Expenditures

(Current Prices, TL. Million)

	1962	1967	1968	1971 a/	1972 b/
CONSOLIDATED BUDGET	9,368	19,130	22,432	47,345	51,968
-Current Expenditures	4,654	9,736	11,024	22,171	26,397
-Investment Expenditures	2,375	5,104	6,132	7,894	9,455
-Transfer Expenditures	2,339	4,290	5,276	17,280	16,116
AS A PERCENTAGE OF THE CONSOLIDATED BUDGET	100.0	100.0	100.0	100.0	100.0
-Current Expenditures	49.7	50.9	49.2	46.8	50.8
-Investment Expenditures	25.3	26.7	27.3	16.7	18.2
-Transfer Expenditures	25.0	22.4	23.5	36.5	31.0

a/ Provisional figures

b/ Budget estimates

I.4.3. State Economic Enterprises

State Economic Enterprises (SEE) have been an effective tool in the implementation of industrialization programmes and activities in Turkey. In spite of various administrative problems that these organizations have been faced, their contributions to the adaptation of modern technology, man-power training, creation of employment opportunities, production and price stability have been of great help to the development efforts during the first two plan periods.

The share of SEE's investments in the total public investment and the sectoral breakdown of investment are shown in Tables I.11 and I.12, respectively.

These tables show that during the Second Plan period SEE's share was 43.3% in the total public investment; and that during the same period their percentage contribution to the manufacturing industries alone has risen from 41.2% to 57.8% of the total investment undertaken by these organizations.

Table I.11: The Share of State Economic Enterprises in the Total Public Investments

(Current prices, TL. Million)

Years	SEE's INVESTMENTS	Total Public INVESTMENTS	Percentage %
1963	1,591.4	4,754.1	33.5
1964	1,830.7	5,427.2	33.7
1965	2,115.0	6,079.8	34.8
1966	2,928.2	7,854.9	37.3
1967	3,057.0	9,003.7	34.0
Total	11,522.3	33,119.7	34.8
1968	3,839.4	11,156.4	34.4
1969	4,809.5	12,763.3	37.7
1970	6,173.2	14,442.2	42.7
1971 a/	6,975.0	16,202.5	43.0
1972 b/	11,059.4	21,389.7	51.7
Total	32,856.5	75,954.1	43.3

a/ Estimates

b/ Programme Figures

Table I. 12 : Sectoral Distribution of Public Investments and SEE Investment in the First and Second Plan Period (%)

A. FIRST PLAN

	1963		1964		1965		1966		1967	
	SEE.	Pub.	SEE	Pub.	SEE	Pub.	SEE	Pub.	SEE.	Pub
Agriculture	1.9	16.1	1.7	19.1	1.0	20.9	0.5	18.2	0.5	17.8
Mining	17.1	6.6	16.7	6.5	25.2	9.7	23.0	9.5	15.8	6.4
Manufacturing Industry	27.2	10.2	30.1	11.9	25.5	10.9	31.0	12.6	38.8	14.4
Energy	17.5	8.9	20.7	11.2	19.3	11.4	17.6	11.4	16.2	12.4
Services	36.3	58.2	30.8	51.3	29.0	47.1	27.9	48.3	28.7	49.0
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

B. SECOND PLAN

	1968		1969		1970		1971		1972	
	SEE	Pub.	SEE	Pub.	SEE	Pub.	SEE	Pub.	SEE	Pub
Agriculture	9.0	17.7	1.0	15.2	0.2	13.6	0.2	11.4	0.2	10.
Mining	10.0	4.5	8.7	4.3	9.2	5.0	9.5	5.1	11.8	7.
Manufacturing Industry	41.2	15.6	45.7	18.5	44.2	19.8	55.9	26.2	57.8	31.
Energy	18.8	13.8	21.2	15.2	24.9	17.2	19.7	13.3	41.0	13.
Services	29.1	48.4	23.4	46.8	21.5	44.4	14.7	44.0	16.2	37.
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

1.5. FOREIGN ECONOMIC RELATIONS

I.5.1. Balance of Payments

Special consideration has been given to the balance of payments position in the first two Plans,Certain targets were envisaged and special policy measures were taken to minimize the adverse effects of foreign trade deficit on development.

Table I.13 shows the balance of payments figures for the period 1963-1971. During this period, foreign trade gap had increased continuously. To prevent this trend, various export promotion and import substitution measures were adopted. Total exports realized during the period 1963-1971 were above the plan targets; however, the structural change that the plans envisage with regard to exports was not achieved. In 1970 TL was devaluated to help remove the foreign exchange bottleneck.

I.5.2. Exports

Considerably high rate of increase in exports along with greater share of industrial goods in total exports were aimed at in both Plans. In spite of the positive developments in this respect, agricultural goods still have the highest share in Turkish exports.

Table I.14 shows the actual export figures during 1963-1971.

I.5.3. Imports

Imports realized during 1963-1971, were little below the target set for this period.

Table I.15 gives the composition of imports. During this period import substitution was given priority especially in the fields of iron and steel, vehicles, chemicals, paper, metal products, agricultural machinery and durable consumer goods.

I.5.4. Invisible Items

Tourism and travel incomes did not reach the levels foreseen in the first two Plans. The positive effect of tourism income on the balance of payments position had been limited in spite of the improvements during the past two years.

Workers' remittances had been the important factor which contributed most positively towards the improvement of the balance of payments.

I.5.5. Foreign Private Capital

Only a small portion of the licenses issued to foreign private capital had been used. Nearly half of these were in the chemicals and rubber industries.

I.5.6. Viability

Viability has been one of the main goals in both of the first two plans.

While the inflow from invisible items such as workers' remittances and tourism as well as the contribution of concessional aid are regarded as short-term measures to reduce the balance of payments gap; it is the increased share of industrials goods in total exports that is being aimed at to reach viability.

During the period 1963-1971 total foreign credits were around $ 240 million annually.

Table I.13 : Balance of Payments

($ Million)

	1963	1967	1968	1969	1970	1971
I. Current Account						
A. Foreign Trade						
1. Exports (fob)	368	523	496	537	588	677
2. Imports (cif)	-688	-685	-764	-801	-948	-1171
Trade Balance	-320	-162	-268	-264	-360	-494
B. Invisible Items						
1. Interest Payments	-24	-32	-34	-39	-47	-47
2. Tourism and Travel (net)	-13	-14	-9	-5	4	21
3. Workers' Remittances	-	93	107	141	273	471
4. Profit Transfers	-8	-25	-3	12	-33	-36
5. Service Payments for Projects	-	-9	-15	-18	-30	-32
6. Other Invisibles (Net)	16	21	20	-5	14	2
Invisibles (Net)	-29	34	37	42	181	379
C. Infrastructure and Off-shore	22	14	9	8	8	6
Current Account Balance	-327	-114	-222	-214	-171	-109

../.

Table I.13 (Cont'd)

($ Million)

	1963	1967	1968	1969	1970	1971
II. Capital Transactions						
1. Debt Repayments	-100	-79	-72	-87	-131	-91
2. TL. Grain Imports	88	-	-	41	83	55
3. Private Foreign Capital	21	17	13	24	58	45
4. Project Credits	61	83	127	174	179	219
5. Programme Credits	154	134	118	96	142	89
6. Imports with Waiver	5	12	22	20	34	27
7. Import with Credits	10	-	-	-	-	-
Capital Account Balance	239	167	208	268	365	344
Overall Balance	-88	53	-14	54	194	235
III. IMF Net Position	4	8	27	-11	48	-
IV. Reserve Movements (+Decrease)	48	25	6	(...)	-236	-345
V. Special Drawing Rights	-	-	-	-	18	11
VI. Short-term CapitalMovements	-21	-21	-	-	-	-
VII. Net Errors and Omissions	57	-15	-19	-43	-24	99

Table I.14 : Exports

(In [illegible])

	1963	1964	1965	1966	1967	1968	1969	1970	1971
. Agriculture									
A. Cereals and Pulses	8,042	10,188	10,838	11,040	6,765	7,738	[illegible]	9,791	13,7[illegible]
B. Fruits and Vegetables	87,102	86,200	105,546	98,020	132,371	126,785	161,675	127,539	145,3[illegible]
C. Industrial Crops	150,442	184,891	198,716	243,962	254,044	238,208	201,723	258,713	288,523
. Forestry Products	2,279	2,319	2,408	2,036	1,950	1,935	2,289	2,833	3,931
. Livestock and Sea Products	44,416	36,348	44,369	34,710	31,422	30,336	33,024	33,832	39,742
. Coal	54	150	105	93	26	37	1,382	3,011	19[illegible]
. Iron Ore	85	-	-	-	1,437	905	137	215	[illegible]
. Other Minerals	10,298	13,993	19,569	21,919	17,143	23,514	30,264	36,242	36,967
. Sugar	10,095	19,309	8,180	6,902	6,238	1,453	12,171	3,945	3,113
. Tobacco Products	7	5	5	5	33	13	5	51	[illegible]
. Beverages	192	144	238	422	551	856	496	535	539
. Food Industry	32,281	26,721	38,552	30,677	40,891	29,499	44,631	36,930	49,3[illegible]
. Textile Industry	3,063	4,585	4,602	3,751	3,075	7,989	15,879	25,850	37,[illegible]8
. Wood Products Industry	1,595	921	1,244	2,150	1,576	1,792	2,041	2,800	4,895
. Paper Industry	39	26	81	112	103	136	133	212	198

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Table I.14 (Cont'd)

	1963	1964	1965	1966	1967	1968	1969	1970	1971
14. Hide and Leather Goods Industry	64	237	260	248	173	304	955	4,594	10,625
15. Rubber and Plastic Industry	3	33	30	26	14	10	521	1,588	865
16. Chemical Industry	2,934	3,229	2,673	2,613	2,799	3,321	6,273	7,342	9 484
17. Fertilizers	-	-	-	-	-	-	-	-	-
18. Petroleum Products Industry	7,713	7,749	5,197	3,750	323	1,296	2,591	591	2,479
19. Glass, Ceramics,Tiles Industry	518	824	767	380	487	1,330	773	1,354	2,660
20. Cement Industry	-	-	-	-	-	-	-	2,749	8,785
21. Iron and Steel Products	10	41	64	31	130	87	1,283	253	325
22. Non-ferrous Metal Products	6,769	12,753	20,369	28,397	20,486	18,529	12,581	14,679	8,665
23. Metal Products	76	71	155	155	121	144	587	494	1,271
24. Macnine Manufacturing Industry	4	35	4	14	109	119	757	1,593	1,155
25. Electrical Machinery and Electronics		-	4	41	55	32	65	259	645
26. Vehicles	6	7	57	54	12	1	65	481	252
Others	-	-	-	-	-	-	-	-	5,303
TOTAL	368,087	410,771	463,738	490,508	522,334	496,369	536,834	588,476	676,602

Table I.15 : Composition of Imports

($ Million)

Years	Capital Goods	Raw Materials	Consumer Goods	TOTAL
1963	256.0	327.4	104.2	687.6
1964	197.3	295.9	44.2	537.4
1965	197.0	313.0	62.0	572.0
1966	257.1	396.3	64.9	718.3
1967	206.0	423.6	35.1	684.7
1968	255.0	447.0	61.7	763.7
1969	251.0	431.0	119.2	801.2
1970	284.0	527.0	136.6	947.6
1971	340.0	720.8	110.0	1,170.8
1972 a/	450.0	775.0	90.0	1,315.0

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a/ Estimates

In this period, the amount of consortium credits agreed upon were 2642 million dollars. The creditors had preferred 'Project credits' to 'Program credits' and 45% of the project credits were given for infrastructure projects.

I.5.7. European Economic Community (EEC) and Regional Cooperation for Development (RCD)

During the planned period, the most important event in the sphere of foreign economic relations was the decision taken for the association with the European Economic Community. The association was established with the Ankara Agreement signed in 1963. The Additional Protocol which defines the procedures during the Transitional Period was signed on 23 November 1970 which envisages the accomplishment of "customs union" with the EEC in 22 years, possibly by 1995.

Regional Cooperation for Development (RCD) is an economic and cultural cooperation among Turkey, Iran and Pakistan. The Heads of the three States had agreed on such a cooperation at a Conference held in 1964. The regional cooperation covers the fields of trade, industry, tourism, transport and communication, banking and insurance, social and cultural affairs. In spite of the progress recorded with regard to the joint purpose enterprises, the cooperation

in the field of industry could not reach the desired level due to the very limited trade relations among the member countries.

I.6. PRODUCTION TRENDS

The production trends given in Table I.16 show that a remarkable shift has been taken place towards more sophisticated industries and they also reflect that conscious development policies have been followed during this period. The economic progress achieved during the first two plan periods have visible impacts on the common man's material well-being, main indicators of which are presented in Table I.17.

Table I.16: Production of Selected Commodities

Commodities	Unit	1962	1967	1972 a/
AGRICULTURE				
Wheat	Thousand Tons	7,605	9,000	10,500
Cotton	" "	245	396	515
Sunflower	" "	60	230	480
Citrus fruits	" "	269	439	603
Meat (Poultry included)	" "	468	521	665
Milk	" "	2,417	2,778	3,378
Timber	" M3	2,398	3,378	4,950
Fishery Products	" Tons	115	155	200
MINING				
Iron ore (R)	Thousand Tons	813	1,528	1,560 b/
Crude Petroleum (R)	" "	595	2,728	3,500
Hard Coal	" "	3,893	5,031	4,800
Lignite	" "	2,979	4,618	6,500
Borate alts (Saleable)	" "	137	229	465
Chrome b/	" "	527 (R)	201	541
ENERGY				
Electrical Energy	Million Kwh	3,559	6,217	11,000
MANUFACTURING				
Sugar	Thousand Tons	390	728	750
Vegetable Oil	" "	214	350	533
Industrial Feed	" "	17	109	284
Cotton Textiles	Million M	533	743	945
Woollen Textiles	" "	21	27	34
Timber	Thousand M^3	1,426	1,970	3,060
Paper	Tons	85,000	121,400	316,900
Soda	"	-	-	-
Caustic Soda	"	1,973	11,856	40,000
Sulphuric Acid (100 %)	"	22,800	50,000	266,000
Nitrogenous Fertilizer	"	104,180	153,400	627,000
Phosphatic Fertilizer	"	60,430	206,400	827,000

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Table I.16 (Cont'd)

Commodities	Unit	1962	1967	1972 a/
Ethylene	Tons	-	-	23,500
Polyvinyl Chloride (PVC)	"	-	-	20,000
Polyethylene	"	-	-	14,180
Synthetic Fibres (Excluding Yarn)	"	-	-	17,274
Synthetic Rubber	"	-	-	-
Cement	Thousand Tons	2,323	4,219	8,500
Raw Steel	"	296	1,133	1,750
Special Steel	"	27	40	100
Pig Iron	"	49	142	232
Blister Copper	"	26	25	20
Alumina	"	-	-	20
Amuminium	"	-	-	-
Tractors	Nos.	2,574	12,038	20,000
Combines	"	-	144	500
Electrical Motors (0-2 HP)	HP	3,500	..	20,000
" " (2-10 HP)	HP	1,500	..	10,000
Telephone Switchboards	Lines	-	-	70,000
Transformers (over 10 KVA)	MVA	0.1	350	750
Trucks and Buses d/	Nos.	3,580	9,847	21,900
Cars	"	870	1,800	26,000

a/ Estimates

b/ 100 % metal equivalents

c/ Concentrated

d/ Small trucks and minibuses included

R: Run of mine

Table 1.17: Economic and Social Indicators

A. ECONOMIC:

	1962	1972
1. Per Capita Income ($)	243	364
2. % Share of Agricultural Sector in GDP (factor cost)	39.0	28.1
3. % " " Industrial Sector in GDP (factor cost)	17.0	22.6
4. % " " Services Sector in GDP (factor cost)	44.0	49.3
5. % " " Consumer Goods Production in the Mfg. Ind's.	62.3	46.6
6. % " " Intermediate " " " " " "	27.8	39.4
7. % " " Investment " " " " " "	9.9	14.0
8. Per Capita Consumption Expenditure (Thousand TL)	1,681	4,094
9. % Share of Investment in GNP	15.1	21.0
10. Per Capita Steel Consumption (Kg)	20.9	58.5
11. " " Cement " "	79.0	195.0
12. " " Coal " " a/	219.0	302.2
13. " " Cotton Textile Consumption (Kg)	3.1	5.1
14. " " Electricity " (KWh)	118.0	294.0
15. Net Nutrients Per Hectare (Kg)	4.1	33.0

a/ Hard-coal equivalent (6700 KCal/kg)

B. SOCIAL:

1. Population (Million persons)	29.2	37.5
2. " Growth Rate (1960-1965), (1965-1970)	2.6	2.7
3. Labour Participation Ratio	44	38
4. % Share of Workers in Agriculture	77	65
5. % " " " " Industry	8	11
6. % " " " " Services	15	24
7. Ratio of Employment to Supply of Labour Force [b/]	92	89
8. Scholarization Rate in Higher Education	3.0 [c/]	6.8
9. Scholarization Rate in General + Vocational+Technical Secondary Education (2^{nd}cycle)	9.0 [c/]	17.7
10. Scholarization Rate in Vocational+Technical Secondary Education (2^{nd}cycle)	3.7 [c/]	6.7
11. Urban population as % of total	27	38
12. Number of persons per doctor	3,200	2,300
13. " " " " hospital bed	485	410 [e/]
14. " " radios per 1000 person	52	120
15. Per capita consumption of animal protein (Gr/daily)	16.8	19.3
16. " " " " grains (Gr/daily)	730	674

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b/ Excluding disguised unemployment

c/ 1960-61 Academic year

d/ 1970-71 " "

e/ Actuals for 1971

As seen from the Tables above, significant improvements took place in the establishment of basic industries in particular and in providing impetus for economic growth in general, both of which prepare the ground for an accelerated development for the future Plan periods. Considerable progress has also been recorded in electric power, railways, ports, transport, communication and other amenities of life.

In spite of the positive developments mentioned above, however, Turkey has not been able to provide complete solution to her problems. The most pressing social and economic problems facing Turkey upon the entry into the Third Five Year Plan (TFYP) are summarized in the following chapter.

I.7. BASIC PROBLEMS OF TURKISH SOCIETY AT THE BEGINNING OF THE TFYP PERIOD

I.7.1. Rapid Growth of Population

With the rate of 2.7% p.a. Turkey is one of the countries in the world who has the highest rate of growth of population. This leads to a great amount of expenditure in the field of infrastructure as well as various social services. The high growth rate of the population is also accompanied by a high dependency ratio.

I.7.2. The high levels of open and disguised unemployment

In 1972, out of a 14.3 million labor force, only 12.7 million are gainfully employed; out of an average of 440,000 persons entering the working age annually, only 160,000 are able to find jobs in productive activities. Furthermore, it is estimated that as of 1971 the number of uninsured and non-unionized workers was of the following order: 600,000 agricultural workers, 3.7 million artisans, handicraftsmen and their apprentices, 5.9 million unpaid family workers in agriculture and other independent workers.

I.7.3. Low Level of Income and its Unbalanced Distribution

The per capita income of $ 364 in 1972 is the lowest among European countries. Income distribution amongst various income strata, professional and occupational groupings is unbalanced.

I.7.4. Inadequate Education Services

In general, the formal educational system does not conform to the needs of the economic and social development, nor is it susceptible to changes. The informal education system also has proven inadequate to improve the manpower productivity necessary for higher production.Primary education does not provide the basic needs either for further education or for a practical life; besides only 84% of the population between the ages of 7 and 12 years attend primary school education. Secondary schools on the whole simply prepare children for higher education although it is recognized that vocational and technical education is necessary at this stage. Only 6.8% of the population between the ages of 19 and 22 years attend higher educational institutions. Besides, higher education does not meet the manpower requirements of a rapid development.

I.7.5. Inadequate Health Services

Health services are inadequate both in quality and quantity; particularly there is a regional imbalance; for example, 44.6% of in-patient institutions are in the three largest cities. Because of poor hospital administration and other deficiencies, only 58% of public sector bed capacity is used. Sanitation, child nutrition, workers' health and security standards, control of medical standards are below the required norms.

I.7.6. Problems of Settlement and Infrastructure

The state has not been able to meet the infrastructural and the social requirements of the rapid urbanization of the past two decades. On the other hand the needs for extra roads, drinking

water, electricity, etc. in the rural areas have not been met by the local authorities. As far as the public sector is concerned, the heavy pressure of demand for services in the rural areas has been a factor to prevent further emphasis on production-oriented investments.

I.7.7. Insufficiency of Domestic Savings and Financial Institutions

Turkey's domestic savings have not been adequate to meet the financing requirements of investments; comparatively speaking, savings are small as a result of low per capita income, high and diversified consumption patterns of higher income strata, inadequate public finance and financial institutions, and the lack of an active capital market.

I.7.8. Productive Structure and Technology

The basic investment goods industry is inadequate. Certain major problems exist, within the manufacturing industry such as less than an optimum operating size (particularly for the investment goods industry mainly as a result of low level of demand) and a lack of modern technology. On the other hand, agriculture is still dependent on weather conditions; productivity has not increased sufficiently.

I.7.9. Structure of Foreign Trade and Trade Deficits

Agricultural commodities continue to dominate exports. They were 70% of the total exports in 1972. The average rate of increase in exports of 7.1% p.a. between 1960-1971 is comparatively low.

I.7.10.A Costly and Slow-functioning Public Administration

Public administration, although in some places modern, is on the whole out-dated. Coordination and cooperation in joint decision-making and efficient operation have not been achieved. There is too large an increase in numbers and salaries of government employees. There is also an imbalance in geographical distribution of government employees. Local authorities cannot meet the people's needs with their own resources. There is also no clear-cut division of duties between local and central government authorities.

I.7.11.Obligations stemming from the Customs Union with the EEC

The political decision to join the EEC and to accomplish a full "Customs Union" within a 22-year period puts the following pressures on the planning process: (a) need to solve the above mentioned problems within a limited time span , calling for sacrifices and determining priorities to achieve results within a short period of time; and (b) removal of the conflicts existing between the use of some policy tools (e.g. customs duties and import restrictions) and the obligations of the "Customs Union".

By the end of the Second Five Year Plan, Turkey has covered a long stretch of the arduous road of economic development and the new horizons have become clear and well-defined. Reviewing the progress acheived so far and the problems encountered have been helpful not only in setting the targets for the new Plans, but also in evolving new strategies and in determ ning the changes which must be made to face the future with confidence. These aspects of Turkish planned development will be given in the following parts of this text in summary.

PART I I

OBJECTIVES AND TARGETS IN THE LONG RUN

II.1. LONG TERM PERSPECTIVE AND OBJECTIVES

The preparation of the Perspective Plan reflects in number of ways the confidence of the Turkisn nation in its future. As such, the Plan is more than just a projection into the distant future; in fact, it is a realistic statement of the goals to be achieved. While on the one hand it imparts a sense of direction to the current economic policies, on the other hand it establishes targets of massive improvement to be brought about in living standards by mobilizing the resources and energies of the nation.

Accordingly, the importance of the TFYP lies in that it constitutes the first of those Plans to follow within a new and a more comprehensive perspective.

The necessity to replace the original perspective arose both from the inadequacy of it and the emergence of new social and economic problems.

The new perspective which spans from 1972 to 1995, the year when full integration with the EEC is envisaged, sets the following main objectives:

- Raising the standard of living
- Industrialization
- Decreasing dependence on external resources
- Solving the problem of unemployment
- Improving the distribution of income

As stated above, the long term objectives not only envisage a fully industrialized economy and a higher standard of living for the community at large by the 1990's but also encompass an industrial structure and technology, as well as social institutions that are commensurate with an industrialized community.

II.2. LONG TERM ECONOMIC TARGETS

The long term economic targets are rewiewed under the following general headings:

II.2.1. Income Targets

The growth rate of the GNP over the 15 years from 1972 to 87 is estimated at 8.6% p.a., and 9.6% p.a. for the 1987-1995 period; while average growth rate is estimated at 8.9% p.a. for the 23-year period as a whole (Table II.01). These targets exceed those planned, during the 1970's, for other developing economies in Europe, which means that the gap between the Turkish and the latter economies will narrow.

Table II.01 : Resources and Uses, 1972-1995

(1971 Prices, TL. Billion)

a. ABSOLUTE VALUES

	1972	1977	1987	1995
GDP (market prices)	186.3	273.7	647.7	1,353.5
Factor Incomes from Abroad	4.9	5.8	7.0	7.5
GNP	191.2	279.5	654.7	1,361.0
B/P Deficit	2.6	1.8	-1.4	-1.5
Total Resources	193.8	281.3	653.3	1,359.5
Total Investments	40.1	72.8	198.0	430.0
(Total Domestic Savings)	(37.5)	(71.0)	(199.4)	(431.5)
Total Consumption	153.7	208.5	455.3	929.5
Total Expenditures	193.8	281.3	653.3	1,361.0

b. AS PERCENTAGE OF GNP

Factor Incomes from Abroad	2.6	2.1	1.1	0.6
B/P Deficit	1.4	0.6	-0.2	-0.1
Total Resources (= Uses)	101.4	100.6	99.8	99.9
Total Investments	21.0	26.0	30.3	31.6
Total Domestic Savings	19.6	25.4	30.5	31.7
Total Consumption	80.4	74.6	69.5	68.3

c. AVERAGE ANNUAL CHANGES (%)

	1972-77 (TFYP)	1972-87 (Average)	1987-95 (Average)	1972-95 (Average
GDP (market prices)	8.0	8.7	9.7	9.0
Factor Incomes from Abroad	3.3	2.4	0.9	1.8
GNP	7.9	8.6	9.6	8.9
B/P Deficit	-6.5	-	-	-
Total Resources (= Uses)	7.7	8.4	9.6	8.8
Total Investments	12.7	11.2	10.2	10.9
Total Domestic Savings	13.6	11.8	10.1	11.2
Total Consumption	6.3	7.5	9.3	8.1

Incomes from abroad which are, in the main, contributed by Turkish workers in Europe are expected to increase less rapidly than observed in the recent past, thus the percentage contribution of these remittances to the GNP increases will gradually decrease and the growth of domestic product will be the main source of the increases in GNP.

Per capita income of $ 364 in 1972 is envisaged to increase to $ 860 and then to $ 1500 by 1987 and 1995 respectively(Table II.02). The assumed growth rates of the economy and the improved social conditions may lead to a concomitant decrease in the population growth rate in which case $ 1500 per capita income for 1995 may well be exceeded. The per capita income growth rate averages at 6.3% p.a. over the 23 years perspective; the former 15 years is estimated to sustain 5.9% p.a. while in the latter 8 years this rate is planned to reach 7.2% p.a. on average.

II.2.2. Structure of GDP

The structure of the GDP over the 23 years will be subject to radical change and will attain the characteristics of an industrial economy. Accordingly, the contribution from the agricultural sector to GDP at factor prices will diminish from 28% in 1972 to 16% and 12% in 1987 and 1995,respectively. Meanwhile the industrial sector will increase its share from 23% in 1972 to 34% and 37% in 1987 and 1995; while the share of the services' sector will remain, more or less constant, around 49-50%.

Table II.02 : Per Capita Income and Consumption, 1972-1995

(1971 prices)

a. ABSOLUTE FIGURES

	1972	1977	1987	1995
GNP (TL. Billion)	191.2	279.5	654.7	1,361.0
Resident Population (Million)	37.5	42.1	54.5	64.9
Per Capita GNP (TL)	5,095	6,640	12,000	21,000
Per Capita Consumption (TL)	4,095	4,950	8,350	14,320
Per Capita GDP (TL, at factor cost)	4,410	5,650	10,200	17,980

b. AVERAGE ANNUAL CHANGES (%)

	1972-77 (TFYP)	1972-87 (Average)	1987-95 (Average)	1972-95 (Average)
GNP	7.9	8.6	9.6	8.9
Resident Population	2.3	2.5	2.2	2.4
Per Capita GNP	5.4	5.9	7.2	6.3
Per Capita Consumption	3.9	4.9	7.0	5.6
Per Capita GDP	5.1	5.8	7.3	6.3

In the process of achieving these targets the growth rate of the agricultural sector in the first 15 years is estimated to be 4.4% p.a. and it will subsequently increase to 5.6% p.a. on average during the latter 8 years. Similarly, the industrial sector is expected to grow at 11.4% and 11.0% p.a. during the first 15 and latter 8 years respectively. The services sector is also expected to grow by 8.5% and 10.0% p.a. during the same intervals. All in all, over the period of 23 years, the agricultural, industrial and services' sectors are expected to attain average growth rates of 4.8, 11.2 and 9.0% p.a. respectively (Tables II.03-04).

II.2.3 Production Targets and Change in the Structure of Industry

To achieve the aforementioned increases in the sectoral incomes, the gross production of the agricultural, industrial and services' sectors will be required to expand at the average rates of 5.1, 11.3 and 8.9% p.a. during the period 1972-1987. Subsectors of the industrial sector, i.e. mining, manufacturing and energy should grow by 12.9, 11.2 and 11.9% p.a. respectively.

The production of the consumer, intermediate and investment goods will grow on an average at 8.2, 13.0 and 13.4% p.a. over the 15-years period (Table II.06). Hence the emphasis within the manufacturing output will shift from consumer goods to intermediate and investment goods as seen in Table II.08.

Table II.03 : Shares of Sectors in Gross Domestic Product, 1972-1995

(1971 prices)

a. ABSOLUTE VALUES (TL billion):

	1972	1977	1987	1995
1. Agriculture				
a. at factor cost	46.4	55.7	89.0	137.3
b. at market prices	47.0	56.7	90.6	139.8
2. Industry				
a. at factor cost	37.5	63.7	188.8	434.1
b. at market prices	53.4	91.2	254.9	557.9
3. Services				
a. at factor cost	81.6	118.3	278.3	595.3
b. at market prices	85.9	125.8	302.2	655.8
4. Total GDP				
a. at factor cost	165.5	237.7	556.1	1,166.7
b. at market prices	186.3	273.7	647.7	1,353.5

b. AVERAGE ANNUAL CHANGES (%):

	1972-77 (TFYP)	1972-87 (Average)	1987-95 (Average)	1972-95 (Average)
1. Agriculture				
a. at factor cost	3.7	4.4	5.6	4.8
b. at market prices	3.8	4.5	5.6	4.8
2. Industry				
a. at factor cost	11.2	11.4	11.0	11.2
b. at market prices	11.3	11.0	10.3	10.7
3. Services				
a. at factor cost	7.7	8.5	10.0	9.0
b. at market prices	7.9	8.8	10.2	9.2
4. Total GDP				
a. at factor cost	7.5	8.4	9.7	8.9
b. at market prices	8.0	8.7	9.7	9.0

Table II.04: Structure of GDP at Factor Cost, 1972-1995

Sectors	1972	1977	1987	1995
Agriculture	28	23	16	12
Industry	23	27	34	37
Services	49	50	50	51
TOTAL	100	100	100	100

Table II.05: Percentage Contribution of Sectors to Marginal Increases in GDP

Sectors	1972-77 (TFYP)	1972-87 (Average)	1987-95 (Average)	1972-95 (Average)
Agriculture	13	11	8	9
Industry	36	39	40	40
Services	51	50	52	51
TOTAL	100	100	100	100

Table II.06: Production Targets, 1972 - 1987

(1971 Producers' Prices)

Sectors	Absolute Values (TL Billion) 1972	1977	1987	% Average Annual Change 1972-1977 (TFYP)	% Average Annual Change 1972-1987
1. Agriculture	71.0	88.7	150.5	4.6	5.1
2. Industry	121.9	213.7	606.7	11.9	11.3
a. Mining	4.5	9.2	28.0	15.3	12.9
b. Manufacturing	113.5	197.4	557.5	11.7	11.2
(1) Consumer goods	52.8	75.5	173.0	7.4	8.2
(2) Intermediate goods	44.7	87.3	279.0	14.3	13.0
(3) Investment goods and consumer durables	16.0	34.6	105.5	16.8	13.4
c. Power (electricity)	3.9	7.1	21.2	12.5	11.9
3. (1+2) Subtotal	192.9	302.4	757.2	9.4	9.5
4. Services	120.2	178.1	431.4	8.2	8.9
a. Construction	23.9	41.1	110.0	11.5	10.7
b. Other	96.3	137.0	321.4	7.3	8.4
5. Total Gross Production (1+2+4)	313.1	480.5	1,188.6	8.9	9.3

Table II.07: Structure of Production (As Percentage of Total Gross Output

Sectors	1972	1977	1987
Agriculture	23	18	13
Industry	39	45	51
Services	38	37	36
TOTAL	100	100	100

Table II.08: Structure of Manufacturing Industry (As Percentage of Manufacturing Output)

Sectors	1972	1977	1987
Consumer Goods	47	38	31
Intermediate Goods	39	44	50
Investment Goods and Consumer Durables	14	18	19
TOTAL	100	100	100

Table II.09: Sectoral Distribution of Investments, %

Sectors	1967-72 (SFYP)	1972-77 (TFYP)	1972-87 (Average)	1987-95 (Average)
Agriculture	12	12	10	8
Industry	38	45	48	50
Services	50	43	42	42
TOTAL	100	100	100	100

quarrying sector's production will increase, at an average rate of 12.9% annually. The increase in the energy production will be in a likewise fashion to other subsectors and at 12% p.a., with a view to elevate per capita energy production to 1,090 Kwh by 1987.

II.2.4. Savings and Investments

While the level of domestic savings is expected to be at 37.5 billion TL. in 1972, average annual rates of increase in domestic savings envisaged for the periods 1972-87 and 1987-95 are 11.8% and 10.1%. In order to achieve the absolute savings as shown in Table II.01, the rates indicated above are essential.

The above expectation necessitates that on an average the marginal rate of savings should be 38 % during the TFYP period and around 33% during the subsequent 18 years.

Thus, the average savings rate at 19.6% in 1972 should increase to 30.5% and 31.7% by 1987 and 1995, respectively (Table II.01).

Savings realised during the preceding planned periods of the Turkish economy and by the other developing economies during the 1960's are taken for the validity of these assumptions.

However, if these expectations about savings are not fulfilled and a mere 6.9% average annual growth rate is maintained

as during the 1962-72 period, then the levels of per capita income envisaged for 1987 and 1995 will not be $ 860 and $ 1500 but will be $ 680 and $ 970, respectively. Slow rate of growth in savings will certainly jeopardize the prospects of industrial development, employment and balanced urbanization. Furthermore, the resources allocated in accordance with the long range plan for productive activities may be curtailed as a result of mounting social and demographic pressures. Consequently the economy may be confronted with problems even in realizing the comparatively low growth rates of the preceding years.

Any inadequacy in the realization of the domestic saving requires the balance to be furnished through external resources which apart from being unfeasible also conflicts with the objective stated earlier, i.e. reducing the dependence on foreign sources.

An additional increase in the marginal rate of savings during the Third Plan, in comparison with the later periods, is envisaged so as to not only stimulate the growth rate of the industry, improve the industrial structure and technology, and prove the industry more efficient against competition in the advent of the Customs Union with the EEC; but also combat the employment problems which are bound to have their repercussion during the late 1970's and early 1980's.

The investment level of 40.1 billion TL. in 1972 is planned to increase, on an average, at 11.2 and 10.2% p.a. during the

intervals of 1972-87 and 1987-95 respectively. In absolute figures total investment will be 198 billion TL. in 1987 and 430 billion TL. in 1995, which will mean an increase in the stock of fixed capital of eight-or-ninefold over the 23 year period (Table II.01).

The investments trend and their allocations within respective sectors will be in favour of the industrial sector. This will be at the expense of both the agricultural, (i.e. 12% during 1972-77 and 8% during 1987-95) and the services' sector (i.e. 43% during 1972-77 and 42% during 1987-1995). Accordingly, the share of industrial investments in the total will reach 50% during 1987-1995, whereas it will be only 43% for the 1972-1977 period. (Table II.09).

II.2.5. Foreign Trade

In the formulation of the production and consumption targets, a forecast and examination of the probable export and import figures is deemed essential. In this context it has been considered necessary to bring about a permanent solution to the problem of the balance of payments by aiming at a zero current account deficit by the year 1982 and keeping the trade deficit constant from that year onward at 1982 level. Having accepted this as a target the average annual growth rate of exports is required to be maintained at 10% up to the year 1987.

In the Fifth Five Year Plan Period, the possibility of reducing the burden of foreign debts will be improved, with the

provision to keep the foreign trade balance at $ 750 million, and on the assumption that invisibles through Turkish workers' remittances and tourism reveune will increase in Turkey's favour.

In the context of increasing exports, the industrial goods will play the major role by increasing its share in export earnings from 23% in 1972 to 64% by 1987. The average growth rate of imports is envisaged at 7.6% p.a. over the same period (Table II.10).

In accordance with greater growth rate of exports as compared to imports the foreign trade deficit will become relatively less significant, so much so that the ratio of foreign trade deficit to GNP which was 4.1% in 1972 will be about half (1.6%) by 1987.

The unprecedented increases in the foreign exchange remittances of the Turkish workers owing to the devaluation of the Turkish Lira in 1970, and the monetary crises of the Western economies during the past few years is expected to follow a normal but still increasing trend in the course of the next 15 years. Even taking into account the likely increases in the demand for Turkish employees on behalf of the Western economies, the removal of the accidental elements in the workers' remittances and the chances of workers adjusting and harmonizing their consumption patterns and lives with those of the European workers counteracts optimistic estimates as regards the future remittances.

Table II.10 : Foreign Trade and Invisibles, 1972-1987

a. ABSOLUTE VALUES ($ Million) :	1972	1977	1987
Exports	750	1,175	3,180
Imports	-1,315	-1,850	-3,930
Trade Deficit	-565	-675	-750
Net Invisibles	383	545	910
- Workers' Remittances	510	600	700
- Tourism Revenue (Net)	20	85	270
- Other Invisibles (Net)	-147	-140	-60
Current Account Deficit	-182	-130	160
b. AS PERCENTAGE OF GNP			
Exports	5.5	5.9	6.8
Imports	9.6	9.3	8.4
Trade Deficit	4.1	3.4	1.6
c. AS % OF EXPORTS			
Agricultural Goods	72	51	29
Mining+ Quarrying Products	5	7	7
Industrial goods	23	42	64

d. AVERAGE ANNUAL INCREASES (%)

	1972-1977 (TFYP)	1972-1987 (Average)
Exports	9.4	10.1
Imports	7.1	7.6
Trade Deficit	3.6	1.9
Net Tourism Revenue	33.6	19.0
Workers' Remittances	3.3	2.1

II.3. SOCIAL ASPECTS

II.3.1. Population Growth and Urbanization

The total Turkish population is expected to increase at an average of 2.6% p.a. between 1972 and 1987. This rate is expected to be 2.2% p.a. during 1987 to 1995. Because of this high rate of increase in population, the unemployment problem cannot be completely solved before 1990's. An additional one million Turks will be abroad by 1987, as a result of the lack of job opportunities in Turkey and due to the attraction of higher wages abroad.

The rate of urbanization is expected to be around 6.4% p.a. in the TFYP, but for the whole period 1972-1987 the average rate will be 5.9%. By 1995, 75% of the population will live in urban areas, a figure consistent with expected employment availabilities (Table II.11).

II.3.2. Employment

Unemployment will continue to rise until 1987, however, a sharp fall is expected during 1987-95. Sharp increases in the productivity of labour force in the agricultural sector are associated with investments in irrigation, reforms in farm administration, movement to cities and other efforts which will show effects particularly on a lessening of disguised unemployment. Use of modern and capital-intensive technologies in industry will, to a great extent, account for the increasing labour productivity till the end of Fourth Plan, after which real productivity gains

Table II.11: Population Data, 1972-1995

a. ABSOLUTE FIGURES (Millions)	1972	1977	1987	1995
Population	37.5	42.6	55.5	65.9
Emigrants (cumulative after 1972)	0	0.5	1.0	1.0
Resident Population a/	37.5	42.1	54.5	64.9
Rural	23.2	22.5	20.9	16.3
Urban	14.3	19.6	33.6	48.6
Urban-Rural distribution (%)				
Urban	38	47	62	75
Rural	62	53	38	25
Total	100	100	100	100

b. ANNUAL AVERAGE CHANGES (%)

	1972-77 (TFYP)	1972-87 (Average)	1987-95 (Average)	1972-95 (Average)
Population	2.6	2.6	2.2	2.5
Resident Population	2.3	2.5	2.2	2.4
Rural	-0.6	-0.7	-3.1	-1.6
Urban	6.4	5.9	4.7	5.5

a/ Population within national boundaries

Table II.12 : Manpower and Employment, 1972-1995

	1972	1977	1987	1995
a. Supply of Labour as % of Working Age (15-64) Population (Participation Rate)				
Total	38	38	39	41
Rural	38	38	38	38
Urban	38	38	39	41
b. Demand and Supply of Civilian Labour (15-64 years old, millions) a/				
Supply of Civilian Labour Force	14.3	16.0	21.0	26.0
- Agricultural	8.8	8.6	8.0	6.2
- Non-Agricultural	5.5	7.4	13.0	19.8
Demand for Labour	13.5	14.9	19.0	25.2
- Agriculture	8.8	8.6	8.0	6.2
: Demand for Labour in Peak Season	7.9	7.9	7.5	6.2
: Disguised Unemployed	0.9	0.7	0.5	-
- Non-Agriculture	4.7	6.3	11.0	19.0
: Industry	1.5	2.1	3.4	5.6
: Services	3.2 b/	4.2	7.6	13.4
Total Disguised and Open Unemployment:	1.6	1.8	2.5	0.8
- Agriculture	0.9	0.7	0.5	-
- Non-agriculture	0.8	1.1	2.0	0.8

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Table II.12 (Cont'd)

c. Annual Average Changes, %

	1972-77 (TFYP)	1972-87 (Average)	1987-95 (Average)	1972-95 (Average)
Supply of Civilian Labour Force	2.4	2.6	2.7	2.7
- Agricultural	-0.4	-0.6	-3.1	-1.5
- Non-agricultural	6.3	5.9	5.4	5.8
Demand for Labour	2.1	2.3	3.6	2.8
- Agriculture	-0.4	-0.6	-3.1	-1.5
: Demand for Labour in Peak Season	0.0	-0.4	-2.3	-1.0
: Disguised Unemployed	-3.8	-3.5	-	-
- Non-agriculture	6.1	5.8	7.1	6.2
: Industry	6.7	5.5	6.4	5.8
: Services	5.7	5.9	7.3	6.4
Total Disguised and Open Unemployment	2.4	3.0	-13.3	-3.0
- Agriculture	-3.8	-3.5	-	-
- Non-agriculture	8.0	6.8	-10.8	0.3

d. Sectoral Distribution of Employment (%) c/

	1972	1977	1987	1995
Agriculture	65	58	42	25
Non-agriculture	35	42	58	75
- Industry	11	14	18	22
- Services	24	28	40	53

a/ Figures may not sum up to the totals due to rounding.

b/ Includes 133,000 people with unknown occupations.

c/ Excluding disguised and open non-agricultural unemployment.

Table II.13 : Implicit Productivity of Labour Force by Sector

a. ABSOLUTE VALUES (Thousand TL. per worker) a/	1972	1977	1987	1995
Agriculture	5.3	6.5	11.1	22.1
Non-agriculture	25.2	28.8	42.5	54.2
- Industry	24.7	30.3	55.5	77.5
- Services	25.5	28.0	36.6	44.4
(Services) b/	(20.7)	(22.2)	(29.0)	(41.9)
Average-All Sectors	12.3	15.9	29.3	46.3
b. PRODUCTIVITIES IN SECTORS RELATIVE TO AGRICULTURE				
Agriculture	1.0	1.0	1.0	1.0
Non-agriculture	4.8	4.4	3.8	2.4
- Industry	4.7	4.7	5.0	3.5
- Services	4.8	4.3	3.3	2.0
(Services) b/	(3.8)	(3.4)	(2.6)	(1.9)
Average-All sectors	2.3	2.5	2.6	2.1
c. AVERAGE ANNUAL CHANGES (%)				
Agriculture	4.1	5.1	9.0	6.4
Non-Agriculture	2.6	3.5	3.1	3.4
- Industry	4.2	5.6	4.3	5.1
- Services	1.9	2.4	2.5	2.4
(Services) b/	(1.5)	(2.0)	(4.7)	(2.9)
Average-All sectors	5.3	6.0	5.9	5.9

a/ Since data are based only on the 15-64 age group, implicit productivities are slightly overestimated, especially in agriculture.

b/ In computing the figures in parantheses, non-agricultural disguised and/or open unemployment are assumed to be absorbed in the services sector.

in subsectors of industry will gain greater weight. In the short run, because of employment pressures, construction and other services should continue to be labour-intensive (Table III.12).

II.3.3. Education

The educational system as envisaged for the Perspective Plan period will be geared to the demands of productive activities. Equality of opportunity will be observed in all spheres of education and the formal and informal education will be treated as parts of a whole.

The proposed system encompasses an 8-year "basic education" made up of two cycles, i.e. 5 and 3 years respectively. This is in addition to the noncompulsory and limited pre-school instructions. The basic education period which is 5 years at present, will be gradually raised to 8 years.

By 1995, all eligible children will attend the first cycle of basic education and 75% will attend the second cycle. 45% of the school age population will attend secondary education, 35% of which will be in general high school and 65% in vocational-technical training. 15% of the age population will attend higher educational institutions. Opportunities for practical and demonstrative education, i.e. in health, agriculture, handicrafts, etc. will be available more readily.

II.3.4. Health

The socialization of the health services will be extended to cover the whole population by 1982. In that year there

will be an average of 33 hospital beds for 10,000 persons 1/, one health centre for every 10,000 persons and one health station for every 3,000 persons. Standards will be further improved in the period 1982-95; reaching 50 hospital beds for 10,000 persons, one health station for 7,500 persons and one health centre for 2,500 persons in 1995.

II.3.5. Social Security

Social security programmes will be gradually extended to cover the entire population by 1995. Starting with the Fifth Plan, unemployment insurance schemes will be introduced in stages.

1/ The number of hospital beds in any province will be at least 26 for 10,000 persons.

PART III

OBJECTIVES, TARGETS AND EQUILIBRIA OF THE THIRD FIVE YEAR PLAN

III.1. DEVELOPMENT INDICATORS

In the advanced industrial countries the growth rate of GNP is being used as a measure of development for many years. The increase in GNP as an indicator of development has also been accepted by Turkish public opinion during the planned period. However, this indicator covers only the increase in income and does not reflect by itself the structural change in the economy.

Development being a multi-dimensional dynamic process, also encompasses structural and organizational changes in the production and distribution activities along with other improvements in the economic and social fields. As such, the goals of the long range planning include not only the raising of the standards of living but also industrialization, reducing the dependence on foreign resources, generating opportunities for gainful employment and providing a more equitable distribution of income. In order to achieve these objectives several "development indicators" are essential. Their realization, it is considered, would be a great leap forward in fulfilling the goals of the 23-year perspective stated earlier. The "development indicators" envisaged during the TFYP are enlisted in Table III.01. A relative increase in investment and in the production of industrial sector are the prominent features of this table. The emphasis given to industrialization can be observed from the Table by the relative increases of investment and production values of industrial sector.

Table III.01: Development Indicators Envisaged During TFYP (1971 Prices)

Development Indicators	SFYP Period or 1972	TFYP Period or 1977	TFYP/SFYP or Average Annual Increase 1972 - 1977 (%)
1. GNP (TL.billion)	191.2	279.5	7.9
2. GDP (TL.billion, at factor cost)	165.5	237.8	7.5
3. Share of Industry in GDP, %	22.6	26.8	-
4. Marginal Percentage Contribution of Industry to the Increase in GDP, %	-	36.3	-
5. Industrial Production (TL billion)	121.9	213.7	11.9
Mining	4.5	9.2	15.3
Manufacturing	113.5	197.4	11.7
Consumer Goods	52.8	75.5	7.4
Intermediate Goods	44.7	87.3	14.3
Investment Goods	16.0	34.6	16.8
Power	3.6	7.1	12.5
6. Plan Periods. Industrial Investments in Plan Period (TL.billion)	43.5 a/	128.0	18.7
Industrial Investments as % of Total Investments	36.2 a/	45.4	-
7. Share of Investment Goods in Exports (%)	1.1	5.1	-

a/ According to the results of Plan implementation 1968-1971

III.2. PLANNING METHODS

Like Second Plan, the targets and policies of the TFYP were fixed up with a method of planning in three stages: Macroeconomic analyses, sectoral analyses and project evaluation. In the determination of the macro-magnitudes, a model based on a 37-sector input-output table was used which allowed for examination of several alternatives and their ramifications. This model includes 140 variables, 314 parameters, 64 base year values and is composed of 70 independent equations. Seventy of the 140 variables were chosen as exogeneous, which fall within the following groups: (1) sectoral distribution of exports, (2) sectoral distribution of public consumption, (3) factor incomes from abroad, public sector factor incomes, public sector non-tax incomes, transfers from public to private sector, public sector factor payments to abroad, (4) GNP at factor cost and the (5) balance of payments deficit.

Particular attention was paid to the requirements of meeting the major long-term goals, that is of realizing the necessary growth rate, decreasing dependence on foreign resources, increasing employment and achieving the desired industrial structure. The domestic savings requirements of the public and private sectors were evaluated. Income and expenditure projections of the public sector were made to determine public savings. Cash flows, debt repayments and capital transfers were also noted in the finances of the public sector. Project analyses and sector studies were then evaluated to check consistency and the feasibility of the Plan.

III. 3. MACROECONOMIC TARGETS

III. 3.1. Income Targets

An increase of 87 billion TL. is expected to be attained in GDP during the TFYP period with an implied rate of increase of 8.0 % p.a. GNP, on the other hand, will grow by 7.9% annually. Given expected rate of growth of population, the rate of increase of per capita GNP will be around 5.4% p.a. Absolute figures are given in Table III.02. 1/

III.3.2. Structure of GDP

The growth rates of value added in three major sectors, namely agriculture, industry and services will be 3.7, 11.2, 7.7% p.a. respectively. As a result of these developments, the share of industry in the GDP will rise from 23% in 1972 to almost 27% in 1977 and that of agriculture will fall from 28% to 23% in the TFYP Period. The share of services will remain, more or less, constant (Table III.03).

III.3.3. Structure of Industry

The gross value of total industrial output will grow by 11.9% p.a. on the average. Growth rates for the main components are 15.3% p.a. for mining, 11.7% p.a. for the manufacturing industry and 12.5% p.a. for the power. (Table III.04).

1/ Cf. Table II.01.

Table III.02: Rate of Increase of Value Added by Sector

(1971 Market Prices)

	1972 a/			1977			% Increase		Marginal Increase	
	TL. Million	% of GDP	% of GNP	TL. Million	% of GDP	% of GNP	Five Years	Annual Average	TL. Million	% of GDP
Agriculture	47,030	25.2	24.6	56.722	20.7	20.3	20.61	3.8	9,692	11.1
-Farming	31,703	17.0	16.6	37,822	13.8	13.5	19.30	3.6	6,119	7.0
-Animal Husbandry and Fishing	13,829	7.4	7.2	16,634	6.1	6.0	20.28	3.8	2,805	3.2
-Forestry	1,498	0.8	0.8	2,266	0.8	0.8	51.27	8.6	768	0.9
Industry	53,418	28.7	27.9	91,262	33.3	32.7	70.85	11.3	37,844	43.3
-Mining	3,253	1.8	1.7	6,146	2.2	2.2	88.93	13.6	2,893	3.3
-Manufacturing	47,940	25.7	25.0	80,943	29.6	29.0	68,84	11.0	33,003	37.8
-Power	2,225	1.2	1.2	4,173	1.5	1.5	87,55	13.4	1,948	2.2
Services	85,865	46.1	44.9	125,766	86.0	45.0	46.47	7.9	39,901	45.6
GDP (Market Prices	186,313	100.0	97.4	273,750	100.0	98.0	46.93	8.0	87,437	100.0
Factor Incomes from Abroad	4,914	2.6	2.6	5,780	2.1	2.0	17.62	3.3	866	1.0
GNP (market Prices)	191,227	102.6	100.0	279,530	102.1	100.0	46.18	7.9	88,303	101.0

a/ Estimate of Actual

Table III.03: Rate of Increase of Value Added by Sector

(At 1971 factor cost)

	1972 a/			1977			% Increase		Marginal Increase	
	TL. Million	% of GDP	% of GNP	TL. Million	% of GNP	% of GNP	Five Years	Annual Average	TL. Million	% of GDP
Agriculture	46,450	28.1	24.3	55,703	23.4	19.9	19.92	3.7	9,253	12.8
-Farming	31,423	19.0	16.5	37,389	15.7	13.4	18.99	3.5	5,966	8.3
-Animal Husbandry and Fishing	13,817	8.4	7.2	16,615	7.0	5.9	20.25	3.8	2,798	3.8
-Forestry	1,210	0.7	0.6	1,699	0.7	0.6	40.41	7.0	489	0.7
Industry	37,472	22.6	19.6	63,700	26.8	22.8	69.99	11.2	26,228	36.3
-Mining	3,064	1.8	1.6	5,745	2.4	2.0	87.50	13.4	2,681	3.7
-Manufacturing	32,376	19.6	16.9	54,131	22.8	19.4	67.19	10.8	21,755	30.1
:Consumer Goods	14,280	8.6	7.5	18,423	7.8	6.6	29.01	5.3	4,143	5.7
:Intermediate Goods	2,893	7.8	6.7	24,549	10.3	8.8	90.41	13.8	11,656	16.1
:Investment Goods	5,203	3.2	2.7	11,159	4.7	4.0	114.47	16.5	5,956	8.3
-Power	2,032	1.2	1.1	3,824	1.6	1.4	88.19	13.5	1,792	2.5
Services	81,580	49.3	42.6	118,347	49.8	42.3	45.07	7.7	36,767	50.9
GDP (Factor cost)	165,502	100.0	86.5	237,750	100.0	85.0	43.65	7.5	72,248	100.0
Indirect taxes minus subsidies	20,811	12.6	10.9	36,000	15.1	12.9	72.99	11.6	15,189	21.0
GDP (mkt. prices)	186,313	112.6	97.4	273,750	115.1	97.9	46.93	8.0	87,437	121.0
Foreign factor income	4,914	2.9	2.6	5,780	2.4	2.1	17.62	3.3	866	1.2
GNP (mkt. prices)	191,227	115.5	100.0	279,530	117.5	100.0	46.18	7.9	88,303	122.2

a/ Estimate of Actual.

Table III.04: Distribution of Production by Sector

(1971 prices, TL. Million)

	1972 a/			1977			% Increase		Marginal Increase	
	Production (TL. Mill)	%	% Share	Production (TL.Mill)	%	% Share	Five Years	Annual Average	TL. Mill	%Share
Agriculture	71 012	100.0	22.7	88 710	100.0	18.5	24.90	4.6	17 698	10.6
Farming	44 322	62.4	14.1	54 032	60.9	11.2	21.90	4.0	9 710	5.8
Animal Husbandry and Fishing	24 642	34.7	7.9	31 513	35.6	6.6	27.88	5.0	6 871	4.1
Forestry	2 048	2.9	0.7	3 165	3.6	0.7	54.54	9.1	1 117	0.7
Industry	121 883		38.9	213 674		44.5	75.31	11.9	91 791	54.8
Mining	4 507		1.4	9 169		1.9	103.44	15.3	4 662	2.8
Manufacturing	113 448	100.0	36.2	197 427	100.0	41.1	74.00	11.7	83 979	50.1
-Consumption goods	52 815	46.6	16.8	75 501	38.3	15.7	42.95	7.4	22 686	13.5
-Intermediate goods	44 675	39.4	14.3	87 308	44.2	18.2	95.43	14.3	42 633	25.5
-Investment goods	15 958	14.0	5.1	34 618	17.5	7.2	116.93	16.8	18 660	11.1
Power	3 928		1.3	7 078		1.5	80.19	12.5	3 150	1.9
Services	120 165		38.4	178 102		37.0	48.22	8.2	57 937	34.6
Total	313 060		100.0	480 486		100.0	53.48	8.9	167 426	100.0

a/ Estimate of Actual

Substantial changes in the composition of manufacturing industry are also aimed at. Emphasis is given to the intermediate and investment goods industries, output of the former growing by 14.3% p.a. and the latter by 16.8% p.a.. The changes in the composition of manufacturing output is also shown in Table III.04.

III.3.4. Investments and Savings

To attain the output targets, an estimated 291 billion TL. will be allocated to investments during the TFYP period. Investments in fixed capital will sum up to 281 billion TL. in the same five years starting with 40.1 billion TL. in 1972 and reaching 72.8 billion TL. in 1977. The average rate of increase will be 12.8% p.a. (Table III.05).1/

Annual average increase in private and public fixed investments will be 11.8% and 13.6%, respectively. Thus the relative share of public investments in the total will slightly increase over the TFYP period and 56.3% of the total fixed investment will be made by the public sector, mainly as a result of investments in power, education, health and public services which are exclusively carried out by the government (Table III.06).

Foreign savings at 1.4% of GNP in 1972 will decline to 0.6% of GNP in 1977, which will meet 3.6% of the total investment finance (Table III.07). Hence the realization

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1/ The marginal (fixed capital / output) and (capital/output) ratios for the TFYP period can be derived from Tables III.02-05, which turn out to be 3.2 and 3.3, respectively.

Table III.05: Resources and Expenditures, 1972-77

	Years							% Increa
	1972 (1)	1973 (2)	1974 (3)	1975 (4)	1976 (5)	1977 (6)	1973-77 Total (7)	Five Years (8)
Resources								
1)GDP (Market Prices)	186313	200300	215908	233400	252550	273750	1175908	46.33
2)Factor Incomes from Abroad	4914	5360	5480	5600	5720	5780	27940	17.62
3)GNP (Market Prices)	191227	205660	221388	239000	258270	279530	1203848	46.18
4)Foreign Savings	2548	2410	2240	2050	1950	1820	10470	-28.57
5)Total Resources	193775	208070	223628	241050	260220	281350	1214318	45.19
Expenditures								
1)Investment	40100	45230	51000	57480	64690	72800	291200	81.55
Fixed	38400	43830	49350	55530	62390	70000	281100	82.29
Stocks	1700	1400	1650	1950	2300	2800	10100	64.71
2)Consumption	153675	162240	172628	183570	195530	208550	923118	35.71
Private	124575	131540	138928	147170	156130	165800	739568	33.09
Public	29100	31300	33700	36400	39400	42750	183550	46.91
Total	193775	208070	223628	241050	260220	281350	1214318	45.19

a/ Estimate of Actual

(1971 Prices, TL. Million)

se		% of GNP					% of GNP Per
nnual							1973 - 1977
verage	1972	1973	1974	1975	1976	1977	Period
(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
8.0	97.4	97.4	97.5	97.7	97.8	97.9	97.7
3.3	2.6	2.6	2.5	2.3	2.2	2.1	2.3
7.9	100.0	100.0	100.0	100.0	100.0	100.0	100.0
-6.5	1.4	1.2	1.0	0.8	0.8	0.6	0.9
7.7	101.4	101.2	101.0	100.8	100.8	100.6	100.9
12.7	21.0	22.0	23.0	24.0	25.1	26.0	24.2
12.8	20.1	21.3	22.3	23.2	24.2	25.0	23.4
10.5	0.9	0.7	0.7	0.6	0.9	1.0	0.8
6.3	80.4	79.2	78.0	76.8	75.7	74.6	76.7
5.9	65.2	64.0	62.8	61.6	60.4	59.3	61.4
8.0	15.2	15.2	15.2	15.2	15.3	15.3	15.3
7.7	101.4	101.2	101.0	100.8	100.8	100.6	100.9

Table III.06: Private-public Distribution of Fixed Capital Investments in the TFYP

(1971 Prices)

	TOTAL		PUBLIC		PRIVATE	
	TL. Bill.	% Share	TL. Bill.	% Share	TL. Bill.	% Share
1. Agriculture	33.0	11.7	17.4	52.7	15.6	47.3
2. Mining	16.3	5.8	13.4	82.2	2.9	17.8
3. Manufacturing	87.7	31.1	43.0	49.0	44.7	51.0
4. Trans. and Comm.	40.6	14.5	31.9	78.6	8.7	21.4
5. Commerce and private professions	5.0	1.8	1.5	30.0	3.5	70.0
6. Tourism	4.5	1.6	1.7	37.8	2.8	62.2
7. Housing	44.0	15.7	2.2	5.0	41.8	95.0
Total (1-7)	231.1	82.2	111.1	48.1	120.0	51.9
8. Power	24.0	8.5	22.1	92.0	1.9	8.0
9. Education	14.0	5.0	13.3	95.0	0.7	5.0
10. Health	4.0	1.4	3.8	95.0	0.2	5.0
11. Gov't. services	0.8	2.9	8.0	100.0	-	-
Total (8-11)	50.0	17.8	47.2	94.4	2.8	5.6
Gen'l total (1-11)	281.1	100.0	158.4	56.3	122.7	43.7

Note: Details may not add to totals because of rounding.

Table III.07: Investments-Savings Balance - 70 -

(1971 Prices, TL. Million)

	1972	1973	1974	1975	1976	1977	1973-77 Total	% Increase Five Years	% Increase Annual Average	% of GNP 1972	1973	1974	1975	1976	1977	% of GNP TFYP Period
Savings																
1)Total Domestic Savings	37552	42820	48760	55430	62740	70980	280730	89.02	13.6	19.6	20.8	22.0	23.2	24.3	25.4	23.3
Private	20947	21800	23060	25390	28280	31520	130050	50.48	8.5	10.9	10.6	10.4	10.6	11.0	11.3	10.6
Public	16605	21020	25700	30040	34460	39460	150680	137.64	18.9	8.7	10.2	11.6	12.6	13.3	14.1	12.5
II)Foreigns Savings	2548	2410	2240	2050	1950	1820	10470	- 28.57	- 6.5	1.4	1.2	1.0	0.8	0.8	0.6	0.9
Total Savings	40100	45230	51000	57480	64690	72800	291200	81.55	12.7	21.0	22.0	23.0	24.0	25.1	26.0	24.2
Investments																
I)Fixed Investments	38400	43830	49350	55530	62390	70000	281120	82.29	12.8	20.1	21.3	22.3	23.2	24.2	25.0	23.4
Private	18000	18650	21110	24000	27390	31490	122660	74.94	11.8	9.4	9.1	9.5	10.0	10.6	11.3	10.2
Public	20400	25180	28240	31530	35000	38510	158460	88.77	13.6	10.7	12.2	12.8	13.2	13.6	13.7	13.2
II)Stock Changes	1700	1400	1650	1950	2300	2800	10100	64.71	10.5	0.9	0.7	0.7	0.8	0.9	1.0	0.8
Private	800	900	1050	1200	1400	1750	6300	118.75	16.9	0.4	0.4	0.4	0.5	0.5	0.6	0.5
Public	900	500	600	750	900	1050	3800	16.66	3.1	0.5	0.3	0.3	0.3	0.4	0.4	0.3
Total Investments	40100	45230	51000	57480	64690	72800	291200	81.55	12.7	21.0	22.0	23.0	24.0	25.1	26.0	24.2

of investment programme requires a considerable savings effort, especially by the public sector. The average rate of increase in domestic savings should be 13.6% p.a., which implies a marginal propensity to save of 37.9% (Table III.08).

Table III.08: Marginal Changes in Savings and As Share of GNP in the TFYP Period

Increases in:	TL Million	As percentages of increase in GNP
1. Private Savings	10,573	11.97
2. Public Savings	22,855	25.88
3. Total Domestic Savings	33,428	37.85 (MPS)
4. Factor Incomes from Abroad	866	0.98
5. GNP	88,303	100.00

III.3.5 Consumption

Public consumption is planned to increase by 8.0% p.a., Private consumption, on the other hand, is expected to increase by 5.9% p.a. on the average, thus bringing overall rate of growth of consumption to 6.3% p.a. and the rate of growth of per capita consumption to 3.9% p.a.[1/]

Estimates on the private consumption pattern are presented in Table III.09.

1/ Cf. Table II.02.

Table III.09: Private Consumption Expenditures in the TFYP Period

(1971 prices)

	1972 a/ Value (TL. Mill.)	1972 a/ % Share	1977 Value (TL. Mill.)	1977 % Share	% Increase Five Years	% Increase Annual Average
1. Agricultural Goods	32,826	26.3	40,124	24.2	22.23	4.1
2. Fuels	561	0.4	663	0.4	18.18	3.4
3. Food Products, Beverages, Tobacco	24,018	19.3	32,331	19.5	34,61	6.1
4. Clothing and Textiles	13,566	10.9	18,238	11.0	34.44	6.1
5. Other Industrial Products	14,413	11.6	20,891	12.6	44.95	7.7
6. Electricity	747	0.6	1,326	0.8	77.51	12.1
7. Services	38,444	30.9	52,227	31.5	35.85	6.3
TOTAL	124,575	100.0	165,800	100.0	33.09	5.9

a/ Estimate of Actual

III.3.6. Public Finance

Public sector income and expenditure, subdivided as central government, state economic enterprises and local administrations, are treated in some detail in Tables III.10 through III.20. Table III.21 is devoted to private sector finance.

Tax revenue estimates were made with the following considerations in mind: (1) Effects of taxes enacted and expected to be enacted in 1972 ; (2) Tax changes pertaining to imports covered by the Annex Protocol; (3) Tax burden of draft bills to encourage investment, exports, tourism and other foreign-exchange earning services; and (4) The improvement in the tax administration.

Total income particularly from profits and depreciation allowances of productive public enterprises will rise from 12.8% to 20.1% of public sector incomes. Net contribution of the social funds, on the other hand, are expected to be negative by 1977. Foreign credits also will decline significantly(Table III.12).

Public sector savings at TL. 16.6 billion in 1972 are expected to reach TL. 39.6 billion in 1977, rising from 8.7 % of GNP to 14.1 %, thus reducing the public savings-investments gap to TL. 100 million (Table III.14).

Table III. 10: Public Revenue Targets

(1971 prices, TL. Million)

Revenue	1972	1973	1974	1975	1976	1977	Annual Average Increase,
1. Taxes	40,338	44,455	49,030	54,950	61,737	69,353	11.4
- Direct	16,743	18,340	20,680	23,220	26,462	30,153	12.5
- Indirect	22,370	24,740	26,800	30,030	33,375	37,100	10.7
- Wealth and Other	1,225	1,375	1,550	1,700	1,900	2,100	11.3
2. Non-tax Normal Income	2,487	2,500	2,624	2,892	3,220	3,510	7.2
3. Factor Incomes	7,029	10,303	12,914	14,823	16,188	18,170	20.9
4. Social Funds	1,142	942	951	85	-678	-1,963	
Subtotal	50,996	58,200	65,519	72,750	80,467	89,070	11.8
Annual % Change	-	14.1	12.6	11.0	10.6	10.6	
5. Foreign Credits	3,751	3,500	2,590	2,030	1,680	1,400	-22.0
Total Revenue	54,748	61,700	68,109	74,780	82,147	90,470	10.6
Annual % Change	-	12.7	10.4	9.8	9.9	10.1	

N.B : Details may not add to totals because of rounding.

Table III. 11: Percentage Distribution of Tax Revenue

	1972	1973	1975	1975	1976	1977
Direct	41.5	41.3	42.2	42.3	42.9	43.5
Indirect	55.5	55.6	54.7	54.6	54.1	53.5
Wealth and Other	3.0	3.1	3.1	3.1	3.0	3.0
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0

Table III. 12: Public Revenue as Percentage of GNP

Revenue	1972	1973	1974	1975	1976	1977
1. Taxes	21.1	21.7	22.2	23.0	23.9	24.9
- Direct	8.8	8.9	9.4	9.7	10.3	10.8
- Indirect	11.7	12.1	12.1	12.6	12.9	13.3
- Wealth + Other	0.6	0.7	0.7	0.7	0.7	0.8
2. Non-tax Normal Income	1.3	1.2	1.2	1.2	1.2	1.2
3. Factor Incomes	3.7	5.0	5.8	6.2	6.3	6.5
4. Social Funds	0.6	0.5	0.4	-	-0.3	-0.7
5. Foreign Credits	1.9	1.7	1.2	0.9	0.7	0.5
TOTAL	28.6	30.1	30.8	31.3	31.8	32.4

Table III. 13: Share of Each Revenue Category within Total Public Revenue

	1972	1973	1974	1975	1976	1977
1. Taxes	73.7	72.0	72.0	73.5	75.2	76.6
- Direct	30.6	29.7	30.4	31.1	32.2	33.3
- Indirect	40.8	40.1	39.3	40.1	40.7	41.0
- Wealth and other	2.3	2.2	2.3			
2. Non-tax Income	4.6	4.1	3.8	3.9	3.9	3.9
3. Factor Incomes	12.8	16.7	19.0	19.8	19.7	20.1
4. Social Funds	2.1	1.5	1.4	0.1	-0.8	-2.1
5. Foreign Credits	6.8	5.7	3.8	2.7	2.0	1.5
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0

Table III. 14: Public Sector Savings Deficit

	1972	1973	1974	1975	1976	1977	Annual Average Increase, %
Public Savings	16,605	21,020	25,700	30,040	34,460	39,460	18.9
Public Investments	21,300	25,680	28,840	32,280	35,900	39,560	13.2
Deficit	-4,695	4,660	-3,140	-2,240	-1,440	-100	

Table III. 15: Public Sector Expenditure Targets

(1971 prices, TL. Million)

Expenditures	1972	1973	1974	1975	1976	1977	Annual Average Increase, %
Current	29.100	31,300	33,700	36,400	39,400	42,700	8.0
Investment	21,300	25,680	28,840	32,280	35,900	39,560	13.2
Transfer	9,951	9,838	10,295	10,609	10,926	11,465	2.9
TOTAL	60,351	66,818	72,835	79,289	86,226	93,725	9.2

Table II. 16: Public Sector Expenditure Targets, %

Current	48.2	46.9	46.3	45.9	45.7	45.6
Investment	35.3	38.4	39.6	40.7	41.6	42.2
Transfer	16.5	14.7	14.1	13.4	12.7	12.2
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0

Table III. 17 : Public Sector Overall Balance

(1971 Prices, TL. Million)

	1972 a/	1973	1974	1975	1976	1977
1. Taxes	39,113	43,080	47,480	53,250	59,837	67,253
- Direct	16,743	18,340	20.680	23,220	26,462	30,153
- Indirect	22,370	24,740	26,800	30,030	33,375	37.100
2. Non-tax Income	2,487	2,500	2,624	2,892	3,220	3,510
3. Factor Incomes	7,029	10,303	12,914	14,823	16,188	18,170
4. Social Funds	1,142	942	951	85	-678	-1,963
5. (Curr. Transfers)	-3,326	-3,485	-3,609	-3,745	-3,892	-4,020
6.(Interest on Foreign Debt)	-740	-1,020	-960	-865	-815	-790
Public Disposable Income	45,705	52,320	59,400	66,440	73,860	82,160
Current Expenditures	-29,100	-31,300	-33,700	-36,400	-39,400	-42,700
Public Savings	16,605	21,020	25,700	30,040	34,460	39,460
Investment	-21,300	-25,680	-28,840	-32,280	35,900	-39,560
- Fixed	20,400	25,180	28,240	31,530	35,000	38,510
- Stocks	900	500	600	750	900	1,050
Savings-Investment	-4,695	-4,660	-3,140	-2,240	-1,440	-100
Capital Transfers	-1,313	-108	-231	-402	-295	219
1. Wealth Tax	1,225	1,375	1,550	1,700	1,900	2,100
2. (Other Transfers)	-611	-283	-491	-708	-699	-265
3. Expropriation and Fixed Assets	-1,927	-1,200	-1,290	-1,394	-1,496	-1,616
Cash/Bank/Debt	6,008	4.768	3,731	2,642	1,735	-119
1. Cash/Bank	-118	-84	-885	-1,021	-1,046	-1,770
2. Foreign Borrowing (net)	1,189	812	616	266	56	-210
3. Internal Debt (net)	-666	-1,078	-1,086	-1,112	-1,334	-1,394
Additional financing requirements	5,603	5,118	4,726	4,509	4,079	3,255

a/ Estimate of actual

Table III.18 : Public Sector Additional Financing Requirements

(1971 prices, TL. Million)

a. Absolute Values

	1972	1973	1974	1975	1976	1977	Annual Average Increase, %
Total Financial Requirements a/	60 351	66 818	72 835	79 289	86 226	93 725	9.1
Total Revenue	54 748	61 700	68 109	74 780	82 147	90 470	10.6
Additional requirements	5 603	5 118	4 726	4 509	4 079	3 255	

b. % of GNP

	1972	1973	1974	1975	1976	1977
Total Financial Requirements	31.6	32.6	33.0	33.3	33.5	33.6
Total Revenue	28.3	30.1	30.8	31.3	31.9	32.4
Additional Requirements	3.2	2.5	2.1	1.9	1.6	1.2

a/ Total Expenditures adjusted for changes in cash/bank accounts.

Table III. 19: State Economic Enterprises (SEEs) Financial Balances

(1971 prices, TL. Million)

	1973		1974		1975		1976		1977	
	P	F	P	F	P	F	P	F	P	F
1. TAX	-815	-85	-1160	-160	-1600	-155	-1820	-158	-2050	-157
- Direct	-815	-85	-1160	-160	-1600	-155	-1820	-158	-2050	-157
- Indirect	-.-	-.-	-.-	-.-	-.-	-.-	-.-	-.-	-.-	-.-
2. NON-TAX NORMAL	-150	-160	-160	-136	-170	8	-180	-	-190	-
3. FACTOR INCOMES	6000	1220	8125	1560	9415	1828	10425	1890	12040	1990
4. SOCIAL FUNDS	-	942	-.-	951	-.-	85	-.-	-678	-.-	-1963
5. (CURRENT TRANSFERS)	495	-.-	510	-.-	525	-.-	540	-.-	560	-.-
6. (INTEREST ON FOREIGN DEBT)	-.-	-.-	-.-	-.-	-.-	-.-	-.-	-.-	-.-	-.-
SEE DISPOSABLE INCOME	5530	1917	7315	2215	8170	1750	8965	1054	10360	-130
CURRENT EXPENDITURES	-.-	-.-	-.-	-.-	-.-	-.-	-.-	-.-	-.-	-.-
SEE SAVINGS	5530	1917	7315	2215	8170	1750	8965	1054	10360	-130
INVESTMENT	13655	215	15527	233	17085	315	18336	364	19334	456
- Fixed	13155	215	14927	233	16335	315	17436	364	18284	456
- Stock	500	-.-	600	-.-	750	-.-	900	-.-	1050	-.-
SAVINGS - INVESTMENT	-8125	1702	-8212	1982	-8915	1435	-9371	690	-8974	-586
CAPITAL TRANSFERS	8435	-2878	10095	-3459	11072	-2940	12065	-2365	12633	-1282
1. Wealth	-.-	-.-	-.-	-.-	-.-	-.-	-.-	-.-	-.-	-.-
2. Other Transfers	8449	-2752	10100	-3339	11068	-2822	12050	-2264	12596	-1179
3. Expropriation and Fixed Assets	-14	-126	-5	-120	4	-118	15	-101	37	-103
Cash/Bank/Debt	-310	1176	-1883	1477	-2157	1505	2694	1675	-3659	1868
1. Cash/Bank	33	-117	-781	-104	-788	-113	-550	-123	-1089	-141
2. Foreign Borrowing	1739	-	776	-	252	-	-132	-	-329	-
3. Domestic Borrowing	-2082	1293	-1878	1581	-1621	1618	-2012	1798	-2241	2009

P: Producing enterprises
F: Financial enterprises

Table III.20: Local Administrations Balance

(1971 prices, TL. Million)

	1973	1974	1975	1976	1977
1. Taxes	2,600	2,750	3,100	3,500	3,900
- Direct	1,400	1,500	1,700	1,900	2,200
- Indirect	1,200	1,250	1,400	1,600	1,700
2. Non-tax Income	490	520	570	650	700
3. Factor Incomes	890	920	1,000	1,150	1,25
4. Social Funds	-	-	-	-	-
5. (Curr. transfers)	-165	-209	-220	-237	-250
6. (Interest on Foreign Debt)	-	-	-	-	
Disposable Income	3,815	3,981	4,450	5,063	5,600
Current Expenditure	-3,100	-3,250	-3,500	-4,800	-4,100
Savings	715	731	950	1,263	1,500

Table III. 21: Private Sector Finance

(1971 prices, TL. Million)

	1973	1974	1975	1976	1977	% Increase 5 Years	% Increase Annual
Private Investments	19,550	22,160	25,200	28,790	33,240	76.8	12.1
Private Savings	21,800	23,060	25,390	28,280	31,520	50.5	8.5
Financial Savings	2,250	900	190	-510	-1,720		
Net Capital Transfers	2,502	2,633	2,956	3,175	2,813		
- From Abroad (net)	1,316	1,316	1,442	1,526	1,683		
- From Public Sector a/	2,561	2,867	3,214	3,549	3,275		
- To Public Sector b/	-1,375	-1,550	-1,700	-1,900	-2,100		
Private Savings in Cash	4,752	3,533	3,146	2,665	1,093		
Loans to Public Sector	2,500	1,500	1,000	1,000	-		

a/ Includes capital transfers, internal debt amortization, expropriations and other transfers to private sector from public sector

b/ Wealth taxes.

Total public sector income is estimated to increase 10.6% p.a. while total expenditures will increase 9.2 % p.a.. As a result the additional financing requirements of TL. 5.6 billion in 1972 will decrease to TL. 3.3 billion by 1977. Current public expenditures increasing at 8.0% p.a. will allow public savings to increase at 18.9% p.a. (Tables III.14-18)

Public enterprises' disposable income (savings) is estimated to increase 15.6% p.a. but because of their high investment level a savings gap will remain (Table III.19). The net contribution of social security and pension funds will decline during the TFYP, so the main savings burden falls on producing enterprises.

III.3.7. Balance of Payments

Export projections are made for major groups as shown in Table III.22 with the following considerations: (1) past trends, (2) foreign demand, (3) estimated surpluses of goods to be produced during the TFYP period, (4) provisions of the Annex Protocol relating exports and (5) availability of basic raw materials (like cotton) after domestic demands being taken into account. A salient feature of the Table III.22 is the change in export structure. In 1977, 42% of the export revenue will accrue from the export of industrial products, whereas the corresponding figure for 1972 is 25%.

An annual 9.4% increase in total exports is targeted.

Imports, on the other hand, are expected to grow less rapidly (7.1% p.a.) due to the import-substituting effects inherent in the industrialization programme. Since values are in 1971 prices, there might be price changes which will effect these projections.

Table III.24 gives the overall balance of payments for each year during the TFYP. Although there will be increases in trade deficit each year in absolute terms, trade balance will improve in relative terms.

The current account deficit, on the other hand, will decline each year in absolute as well as in relative terms as a result of growth in net invisible earnings.

Table III. 22: Export Projections

($ Million)

	1972	1973	1974	1975	1976	1977
I. Agricultural and Animal Products	525.0	550.0	567.0	580.0	590.0	600.0
a. Cereals and Pulses	16.0	17.0	17.0	17.0	17.0	17.0
b. Fruits and Vegetables	150.0	162.0	172.0	180.0	186.0	190.0
c. Industrial Crops	325.0	338.0	345.0	351.0	357.0	365.0
d. Livestock and Animal Products	30.0	28.0	26.5	23.5	19.5	15.5
e. Fishery Products	4.0	5.0	6.5	8.5	10.5	12.5
II. Mining and Quarry Prod's	37.0	42.0	50.5	60.0	70.0	81.0
III. Industrial Products	188.0	233.0	292.5	360.0	430.0	494.0
a. Food and Beverages	61.9	67.5	72.3	77.4	80.0	82.0
b. Textiles	43.0	56.0	71.0	86.0	103.0	120.0
c. Wood Products	5.0	8.0	10.0	13.0	16.0	20.0
d. Paper and Pulp Ind.	2.0	3.0	4.0	5.1	6.5	8.0
e. Hides and Leather Ind.	18.0	23.0	28.5	35.0	39.0	42.0
f. Chemical Ind.	12.0	17.0	26.0	35.0	42.5	50.0
g. Petroleum Products	13.0	15.0	15.0	16.0	17.0	17.0
h. Cement Industry	6.0	6.0	5.0	4.0	3.0	-
i. Glass and Ceramic Ind.	4.0	5.0	6.5	7.5	8.5	10.0
j. Non-ferrous Metal "	10.5	15.0	21.0	34.0	52.0	70.0
k. Metal Products and Machinery	3.5	5.5	9.0	13.5	17.0	18.0
l. Electrical Machinery	0.8	2.0	10.0	17.0	25.0	31.5
m. Vehicles	4.0	4.5	5.5	6.5	7.5	8.0
n. Others	4.3	5.5	8.7	10.0	13.0	17.5
TOTAL	750.0	825.0	910.0	1000.0	1090.0	1175.0

Table III. 23: Composition of Imports ($ Million)

Years	Capital Goods	Raw Materials	Consumer Goods	Total
1972	450,0	775.0	90.0	1315.0
1973	490.0	845.0	95.0	1430.0
1974	530.0	902.0	100.0	1532.0
1975	575.0	952.0	110.0	1637.0
1976	625.0	1004.0	120.0	1749 .0
1977	680.0	1040.0	130.0	1850.0

Table III. 24: Balance of Payments Projections During the TFYP Period

($ Million)

	1972	1973	1974	1975	1976	1977
I. Current Account						
A. Foreign Trade						
1. Exports	750	825	910	1000	1090	1175
2. Imports	-1315	-1430	-1532	-1637	-1749	-1850
Trade Balance	-565	-605	-622	-637	-659	-675
B. Invisible Items						
1. Interest Payments	-79	-79	-80	-80	-81	-85
2. Tourism and Travel (net)	20	30	43	56	70	85
3. Workers'Remittances	510	540	555	570	585	600
4. Profit Transfers	-40	-41	-46	-50	-55	-60
5. Service Payments for Project Credits	-40	-40	-40	-40	-40	-42
6. Other Invisibles (net)	5	13	20	25	31	37
Invisible Transactions (net)	376	423	452	481	510	535
C. Infrastructure and Off-shore	7	10	10	10	10	10
Current Account Balance	-182	-172	-160	-146	-139	-130
II. Capital Transactions						
1. Debt Repayments	-202	-200	-150	-135	-125	-125
2. TL: Grain Imports	18	20	22	24	26	28
3. Private Foreign Capital	40	42	45	48	51	55
4. Project and Programme Credits	296	278	209	172	146	127
5. Imports with Waiver	30	32	34	37	41	45
Capital Account Balance	182	172	160	146	139	130
Overall Balance	-	-	-	-	-	-

PART IV

SECTORAL POLICIES AND PROGRAMMES

IV.1. SECTORAL DEVELOPMENT POLICIES

IV.1.1. General Principles

The general principles which are important for sectoral development have been determined separately for each sector. They are as follows:

In principle the demand for agricultural products will be met through domestic production. The selection of suitable types of crops and the application of advanced technology which would be least exposed to variations in weather conditions and which at the same time will increase the productivity both per unit of land and for each head of livestock will be applied, more so because of the limitations on extensive cultivation.

In the mining sector priority will be given to exploration and extraction activities directed to meet the requirements of the metal industries and energy. At the same time, development and utilization of the known mineral deposits with improved efficiency and without wastage will be the main features of the mining operations.

In the manufacturing industry it has been envisaged that the development should be attained by applying modern techniques and by decreasing the sensitivity of manufacturing industry to external factors. This calls for the change in the structure of the industrial sector by placing greater emphasis on the establishment of the intermediate and investment goods industries. It is with this object that the production of the intermediate and investment goods industries such as chemicals, petrochemicals, metals, metal products, machinery and electronics has been given a higher priority. At the same time it has also been conceived that assembly lines and units would be converted into manufacturing industries.

In order to meet the growing needs of energy-which is essential for economic and social development- the primary object in the field of energy sector is to generate and supply it through the domestic sources. However, if these sources are proved to be inadequate, the policies for this sector also envisage that the supplies could as well be procured from external sources.

In the field of transport and communication the demand made on these services especially by the industrial sectors will be met in time through reliable means and efficient operations without creating an excess capacity. As such, the improvement in the railway transport system will be accorded high priority.

As regard transportation by sea, the increase in cargo carrying capacity along with a greater share in the transport of foreign cargo by Turkish vessels are the main objectives. In the case of highways, the efforts will be directed towards the improvement in the standards of the present road system.

Expansion in the tourism sector is aimed towards attracting and encouraging mass tourism on international scale. For this purpose regions with potentials for touristic development will be given preference.

Investment in the infra-structure of tourism will be made by the public sector, while the private sector will generally cater for and look after the other requirements of tourism.

IV.1.2. Production and Investment Targets

(1) Production Targets

It is envisaged that during the TFYP period agricultural production on the whole will grow at an average annual rate of 4.5%. It is estimated that the crop production will grow at a rate of 4.0%, while the animal husbandry at 5.0% p.a. . Fishery products will grow at an average rate of 8.4% p.a., and the forest products at an average rate of 9.1% p.a.

The industrial production as a whole is expected to grow at an average rate of 11.9 per cent per annum. The annual rate of growth with regard to the subsectors , i.e., manufacturing, energy and mining is estimated to be 11.7, 12.5 and 15.3%, respectively

In the subsectors of the manufacturing industry the production of investment goods is expected to grow at an average rate of 16.8% p.a. while that of intermediary goods at 14.3%, and consumer goods at 7.4%. The service sector will have an average growth rate of 8.2% p.a.

In terms of quantitative targets the estimated output levels of some selected commodities and manufactured products are given in Table IV.01. Details for each sector are given separately in the following pages.

Table IV.01 Estimates of Production for Some of the Basic Products During the Years 1977-1987 [a/]

Commodities	Unit	1972	1977	1977 Index (1972:100)	1982	1987
AGRICULTURE						
Wheat	Thousand Tons	10,500	12,000	114	13,500	-
Cotton	" "	515	650	126	760	-
Sunflower	" "	480	650	135	900	-
Citrus Fruits	" "	603	771	128	1,180	-
Meat (Poultry included)	" "	665	910	137	1,242	1,727
Milk	" "	3,378	4,430	131	5,844	9,047
Timber	" M^3	4,950	7,800	158	10,398	9,875
Fisheries	" Tons	200	270	135	360	360
MINING						
Iron Ore (R)	" "	1,560 [b/]	5,500 [b/]	353	11,000 [b/]	-
Crude Petroleum	" "	3,500	6,000	171	10,100	-
Copper Ore (R)	" "	120 [c/]	350 [c/]	292	700 [c/]	-
Hard Coal	" "	4,800	5,200	108	7,200	-
Lignite	" "	6,500	19,150	295	33,000	-
Borate salts (saleable)	" "	465	830	178	1,260	-
Chrome [b/]	" "	541	710	131	780	-
ENERGY						
Electrical Energy	Million Kwh	11,000	20,330	185	35,430	59,500
MANUFACTURING						
Sugar	Thousand Tons	750	950	127	1,310	-
Vegetable Oil	" "	533	714	134	891	-
Industrial Feed	" "	284	519	183	838	-
Cotton Textiles	Million Meters	945	1,360		1,960	-
Woollen Textiles	" "	34	46	136	56	-
Timber	Thousand M^3	3,060	4,320	141	5,250	-
Paper	" Tons	316.9	570.5	180	795,9	-
Soda	" "	-	150.0	-	250.0	-
Caustic Soda	" "	40.0	126.0	315	170.0	-

Table IV.01 (Cont'd) :

Commodities	Unit	1972	1977	1977 Index (1972:100)	1982	1987
Sulphuric acid (100%)	Thousand Tons	266	1,227	461	2,077	-
Nitrogenous fertilizer	" "	627	2,568	410	4,360	-
Phosphatic "	" "	827	2,544	308	4,180	-
Etylene	" "	23.5	65.1	277	365.0	-
Polyvinyl chloride (PVC)	" "	20.0	52.0	260	117.0	-
Polyetylene	" "	14.2	28.5	201	103.5	-
Synthetic Fiber (Excl.Thread)	" "	17.3	44.8	259	68.4	-
Synthetic Rubber	" "	-	18.5	-	48.5	-
Cement	" "	8,500	13,000	153	21,000	31,000
Iron and Steel	" "	1,750	4,560	261	8,035	14,040
Special Steel	" "	100	243	243	567	1,191
Pig Iron	" "	232	344	148	634	1,144
Blister Copper	" "	20	65	325	140	-
Alumina	" "	20	250	1,250	385	-
Aluminium	" "	-	100	-	190	-
Tractors	Nos.	20,000	35,000	175	50,000	-
Combines	"	500	750	150	1,000	-
Electrical Motors (0-2 HP)	"	20,000	40,000	200	70,000	-
" , " (2-10 HP)	"	10,000	100,000	1,000	200,000	-
Telephone Switchboard	Lines	70,000	150,000	214	300,000	-
Transformer (Bigger than 10 KVA)	MVA	750	2,000	267	5,000	-
Trucks and buses d/	Nos	21,900	37,330	170	77,250	135,000
Cars	"	26,000	50,000	192	95,000	200,000

a/ No estimates have been made for each product up to 1987
b/ 100% metal equivalents.
c/ Concentrate
d/ Including small trucks and minibuses
(R) Run of Mine

(2) Investment Targets

It has been foreseen that a fixed capital investment of the order of 281.1 billion TL. (at 1971 prices), will be made during the TFYP. This amount constitutes, on the average, 24.2% of the GNP created during TFYP. 96.4% of it will be financed through domestic savings, while the balance of 3.6% will be covered by foreign resources.

The sectoral distribution of investments is shown in Table IV.02.Study of the Table IV.02,while providing the relative investment figures for the past ten years also brings out some of the special features both with respect to the direction and the magnitude of the allocations made for various sectors during the TFYP period. For example the share of the industrial investments will be increased from 19.6% in the First Plan period to 31.1% during the TFYP. For the completion of ongoing projects in the public sector, provision of 50.2 billion TL. has been made in the TFYP.

Out of the total investment of 281.1 billion TL for the Sectoral Programmes, about 151.9 billion TL has been allocated for the buildings and construction purposes while the balance of 129.2 billion TL will be utilized for the machinery and equipment.

In the preceding pages some of the policy issues physical targets and allocations with regard to different sectors have been dealt in general terms.

A more comprehensive picture of each of the sectors will be presented in the following pages.

Table IV.02:Sectoral Distribution of Investments

(TL.million at 1971 prices)

Sector	First Plan(FFYP) Actual	%	Second Plan(SFYP) Estimates	%	TFYP Target	%	Investment in Constructions TFYP Amount	%
Agriculture	14,625.1	15.3	18,633.3	11.8	33,000.0	11.7	18,833	57.1
Mining	5,329.5	5.6	5,528.1	3.5	16,300.0	5.8	475	2.9
Manufacturing	18,764.7	19.6	40,613.8	25.7	87,700.0	31.1	34,422	39.3
Energy	5,846.2	6.1	13,416.1	8.5	24,000.0	8.5	10,147	42.3
Transportation	14,990.4	15.6	25,957.0	16.4	40,600.0	14.5	26,126	64.4
Tourism	1,218.2	1.3	3,276.7	2.1	4,500.0	1.6	2,823	62.8
Housing	21,457.1	22.3	31,967.1	20.2	44,000.0	15.7	37,760	85.8
Education	6,251.8	6.5	7,513.1	4.7	14,000.0	5.0	10,720	76.6
Health	1,658.5	1.5	2,389.5	1.5	4,000.0	1.4	2,418	60.5
Other Services	5,737.5	6.0	8,723.9	5.5	13,000.0	4.7	10,199	78.5
Development Fund	-	-	214.5	0.1	-	-	-	-
Total	95,879.0	100.0	158,233.1	100.0	281,100.0	100.0	153,923.0	-

IV.2. AGRICULTURAL SECTOR

IV.2.1. Objectives

In accordance with the New Strategy, agricultural planning is based to attain the following goals:

(1) Maintaining growth rate of agricultural output at such levels which would minimize inflationary pressures and remove the bottlenecks.

(2) Increasing living standards of the rural population.

(3) Improving the level of production and marketing techniques.

(4) Meeting the growing domestic demand of agricultural products resulting from high rates of growth both in population and per capita income.

(5) Taking advantage of the potentials available for the export of agricultural products.

IV.2.2. Developments During the Planned Period (1962-72)

The progress of agriculture during the past ten years has in general been considerable as far as investment, production, supply of modern inputs and organizational set-up are concerned. However, the realization rates have been somewhat below the Plan targets due to adverse weather conditions and to problems associated with technology and marketing. Land and agricultural reform aimed at bringing about structural changes in agriculture as envisaged in the past Plans has not been realized.

In spite of these factors no major problems have been encountered at the national level in meeting the growing demand placed on the agricultural sector.

Information about the performance of the major groups of the agricultural sector is given in Table IV.03.

Table IV.03:Targets and Performance of Agriculture Sector During the First and Second Plans

(As % annual rates of growth)

Subsectors	FFYP Target	FFYP Realization	SFYP Target	SFYP Realization a/
Crops	4.4	4.3	4.4	4.2
Livestock	5.6	2.6	4.8	3.2
Forestry	6.7	7.0	6.9	5
Fishery	3.0	6.0	9.1	
Total	4.7	4.0	4.7	3.9

a/ Estimate

Study of the Table IV.03 above indicates that while the achievement in terms of growth rates for agriculture on the whole is somewhat below the plan targets, they are still in excess of the population growth rate.

Production in the animal husbandry and fishery subsectors has been far below the Plan targets. Production and consumption of the livestock feeds has been one of the major bottlenecks in the livestock production.

Production of cereals and oilseeds increased to desired levels, but because of the unexpectedly high demand for edible oils, these have been imported to certain extent. Similarly, limited quantities of wheat had to be imported due to unfavourable weather conditions in some particular years.

Table IV.04: Per Capita Calory Intake and Protein Consumption

	Actual 1962	1967	Estimates 1971/1972	Targets 1977
Calory Intake Per Day	3,000	3,000	2,900	2,900
Calories Derived from Cereals, %	71.5	64.4	62.0	60.0
Protein Intake, Grams/day	81.5	82.0	81.3	81.3
Animal proteins, %	20.6	21.5	23.7	28.3
Vegetable Proteins, %	79.4	78.5	76.3	71.7

It will be seen from the Table IV.04 that the per capita calory intake is estimated to be 2,900 in 1971-1972, of which the share of the cereals has been decreased somewhat. Although the total protein intake has almost been constant over the years, the percentage share of proteins derived from animal products has not increased sufficiently to make a balanced diet.

Gains in production during the plan period have demonstrated that agricultural sector is capable of further growth given appropriate policies and programmes. This is not to say, however, that some problems do not remain for this sector. Adequate financial and institutional measures are needed to provide inputs for increases in the yields. These include fertilizers, improved seeds, better breeds, insecticides and crop protecting chemicals. Besides, irrigation and flood control systems have to be rational and efficient. In the past, benefits expected from irrigation facilities have not been realized to the capacity, the main reasons being the lack of on-farm development services and proper management. Furthermore, mechanization, supply of farm implements and crop rotation pattern to suit the climatic conditions and economic factors have not been realized on required scale.

Data with regard to some of yield-increasing inputs is given in Table IV.05 below:

Table IV.05: Major Inputs and Trends in Mechanization

	Units	1962	1967	1972 a/
Fertilizer	1000 Tons	295	1,537	3,300
Production of Improved Seeds b/	" "	89	260	-
Area Irrigated	1000 Hectares	1,300	1,540	1,939
Combines	number	6,072	7,840	9,300
Tractors	"	43,747	74,982	125,451
Drills	"	55,135	84,220	89,875
Vaccines and Sera	Mill. Dozes	28	47	73

a/ Estimates

b/ Covers production by State Agencies only.

IV 2.3. Targets for the TFYP

(1) Domestic Demand

Demand projections for the TFYP are made on the basis of such factors as population and income growth rates, likely consumption patterns, changes in relative prices and requirements for balanced diet. Besides, input-output data have been used extensively in order to secure consistency amongst several sectors. It is expected that the demand for agricultural products in general will be met through domestic supplies during the TFYP. However, some problems may exist in meeting the demand for meat.

Table IV.06: Projections of Domestic Demand for Crops, Livestock, Fishery and Forestry

(TL. Million at 1971 Prices)

	1967	1972	SFYP Average Annual Increase, %	1977	TFYP Average Annual Increase, %
Cereals	13,074.3	15,432.4	3.4	18,199.0	3.4
Pulses	902.7	898.2	-0.1	1,176.9	5.6
Industrial Crops	5,938.0	6,301.0	1.2	8,040.8	5.0
Oil Seeds	1,153.7	1,772.2	9.0	2,321.6	5.5
Fruits	5,858.6	7,847.5	6.0	9,496.8	3.9
Vegetables	1,046.6	1,326.7	4.9	1,597.5	3.8
By-Products	3,255.0	4,416.0	6.3	5,721.0	5.3
Subtotal A	31,232.0	37,994.0	4.0	46,553.6	4.1
Meat (Cattle and Mutton)	5,339.4	6,952.0	4.6	9,241.3	5.9
Poultry	1,[illegible]	1,604.9	10.3	2,431.7	8.7
Milk	5,[illegible]	6,089.9	4.0	7,986.5	5.6
Eggs	693.8	980.8	7.2	1,599.9	10.3
Fleece, Mohair, Hairs	8[illegible]	995.3	3.2	1,241.5	4.5
Others	7,[illegible]	7,664.8	0.5	8,447.0	2.0
Subtotal B	20,[illegible]	24,287.7	3.4	30.947.9	5.0
Fishery	[illegible]	385.0	6.5	576.0	8.4
Forestry	[illegible]	2,006.0	-	3,071.0	8.9

It [illegible] from the Table IV.06 that during the TFYP, domestic demand [illegible] crops is expected to grow at an average rate of 4.1% p.[illegible] capita cereal consumption has been projected to decrease [illegible] kg. in 1972 to 242 kg. in 1977. Some increase is expected [illegible] per capita consumption of pulses,

potatoes and fruits. Domestic demand for livestock products is estimated to increase by 5.0% p.a.. Although difficulties are expected in meeting the demand for cattle and mutton meat, the overall per capita consumption of meat will still grow by 3.8% annually, raising the level of per capita consumption from 17.8 kg. in 1972 to 21.4 kg. in 1977. High growth rate of about 5.6% p.a. of demand for milk and milk products is expected to be met from domestic supplies. Demand for fishery and forestry products is estimated to increase as planned by 8.4 and 8.9% p.a. respectively.

(2) Exports

Export of primary agricultural products are estimated to increase by 2.8% p.a. during the TFYP (Table IV.07).

Table IV.07: Export Projections of Primary Agricultural Products a/

(1971 FOB prices, TL.Million)

	1967	1972	SFYP Average Annual Increase %	1977	TFYP Average Annual Increase %
Crops	2,582.5	3,476.2	6.1	3,990.6	2.8
Livestock	287.9	125.8	-15.3	97.1	-5.1
Forestry	41.8	82.0	14.4	132.0	10.0
Fishery	91.6	33.4	-18.3	52.5	9.5
Total	3,003.8	3,717.4	4.3	4,272.2	2.8

a/Exports of tobacco, hazelnuts, dry figs, raisins, pistachios and meat are included in export estimates for food industry.

(3) Agricultural Production

During the TFYP, total agricultural production is envisaged to grow at an average rate of 4.5% p.a. (Table IV.08).

Table IV.08: Targets for Agricultural Production

(Million TL. at 1971 prices)

	1967	1972 a/	SFYP Average Annual Increase, %	1977	TFYP Average Annual Increase, %
Crops	35,332.6	43,331.6	4.2	52,710.6	4.0
Livestock	20,650.1	24,192.0	3.2	30,838.0	5.0
Forestry	1,571.0	2,048.0	5.4	3,165.0	9.1
Fishery	349.0	450.0	5.2	675.0	8.4
Total	57,902.7	70,021.6 b/	3.9	87,388.6 b/	4.5

a/ Estimate

b/ See footnote of Table IV.07.

For increase in crop production, irrigation, use of fertilizers and chemicals are assumed to be the most effective factors. Increases of livestock production are related to feed supplies and measures for the control of diseases.

The annual growth rates envisaged for some of the agricultural commodities are as follows:

3.4% for cereals, 5.5% for pulses, 4.3% for cotton, 5.5% for oil seeds, 3.9% for fruits and 3.8% for vegetables. For livestock production, annual growth rates set for individual products during the TFYP are same as that of the demand projections given in Table IV.06. In order to meet the rapidly growing demand for meat, production of poultry products is to be stepped up by 8.7% p.a.

(4) Imports

During the TFYP, no imports of agricultural products are envisaged with the exception of certain non-competitive items, such as improved seeds, breed studs, etc. Table IV.09 shows import estimates for certain agricultural products:

Table IV.09: Import Estimates of Agricultural Products a/

(1971 CIF prices, TL. Million)

	1967	1972	SFYP Average Annual Increase, %	1977	TFYP Average Annual Increase, %
Crops	20.0	35.0	11.8	100.0	23.4
Livestock	171.4	180.9	1.1	250.0	6.7
Forestry	11.0	3.0	-	5.0	10.7
Total	202.4	218.9	1.6	355.0	10.2

a/ The possibility of some import due to unfavourable weather conditions has not been taken into account in the above table.

(5) Investments

A sum of about TL. 33 billion (at 1971 prices), is planned to be invested in the agricultural sector during the TFYP period. Of this amount 47.3% is expected to be realized by private and the rest by public sector. Allocations made for various activities under the agricultural sector are given in Table IV.10.

Table IV.10: Allocation of Agricultural Investments

(TL. Million, 1971 Prices)

	F F Y P	S F Y P	T F Y P	
	Realized	Estimated	Level	Percentage Distribution
	(1)	(2)	(3)	(4)
1. Water and Soil Resource Development a/	7,600.9	9,561.0	14,209.0	43.1
2. Agricultural Machinery and Equipment	3,575.0	4,767.6	11,136.0	33.8
3. Research, Extension and Other Public Services	595.3	792.3	1,810.0	5.5
4. Buildings, Storage and Marketing Facilities	403.3	664.2	1,162.0	3.5
5. Seeds and Fruit Trees, etc.	306.5	351.2	636.0	1.9
6. Special Breed Studs	36.5	47.2	140.0	0.4
7. Forestry a/	1,699.0	1,756.0	3,088.0	9.3
8. Fisheries	351.7	508.0	769.0	2.3
9. Others	56.9	185.8	50.0	2.2
Total	14,625.1	18,633.3	33,000.0	100.0

a/ Including machinery and workshops.

IV.2.4. Policies and Measures

On the observations that agricultural land has been reaching its limits, production technology is generally backward, yields are low with the exception of certain crops, infrastructure is insufficient and public services are inadequate; the following policy measures and guidelines are recommended:

(1) Agricultural production has to be increased by placing due emphasis on (i) modern technology which would increase yields, (ii) by adopting suitable crop pattern and composition which would maximize their contribution to GNP. A necessary step in this direction would be to allocate land by types of soils most suitable to various uses.

(2) In order to create a more market-oriented agricultural sector, better transportation facilities and marketing infrastructure, stable prices, effective credit system and organization are the most important factors which should be considered and applied during the TFYP.

(3) Agricultural investment and financing is to be directed and carried out in such a way so as to obtain quick and prompt results. In particular, projects with short gestation periods and with low capital/output ratios are to be given priority. For regions where immediate growth potentials are lacking, infrastructure work such as land and water development activities along with some extension services should be taken in hand simultaneously.

(4) Credits to be used for investment and input-financing, will be made available to farmers within the framework of projects prepared in accordance with the production targets of the plan. Efforts will be made to enlarge the scope of credit in kind to small farmers through cooperatives which will be developed.

In credit extension, priorities will be given to livestock feeds, oil-seeds, fishery production, crops with export potentials and inputs which would improve the existing technology. Consistency between credit system and government's price support programmes will be secured.

(5) In order to maintain reasonable income for farmers along with low prices to consumers and to improve the competitive position of export products, government's agricultural price intervention programmes will be selective and purposeful both in respect to the kind and coverage.

Trends of the internal and foreign markets will be studied continuously.

(6) If intervention is considered unavoidable, prices should be announced before planting or harvest time. This would depend on the nature of the commodity and the objectives to be pursued by such interventions. The main purpose would be to minimize inflationary pressures on prices, financial resources and to avoid carryover of stocks. Intervention prices will be

pegged at levels with economic and social aims in mind so that regional aspects, quality differences and the quantities to be purchased are all taken into consideration. Due to the importance given to the livestock subsector, floor prices are to be practiced for livestock instead of ceiling prices for finished meat as such. Export commodities displaying high price elasticity will be given priority in export oriented programmes.

(7) Public agricultural services will be provided to farmers from villages selected as "central units". Useful results obtained from such experiments will be passed on immediately to others.

(8) The present agricultural education system will be reviewed, schools producing technicians over and above the required numbers will be reorganized in such a way as to keep up with new technology and to serve as centres for on-the-job training for farmers.

(9) Measures will be taken to increase the production and improve the quality of the fruits and vegetables for export markets according with preferences of foreign consumers. Close cooperation and liaison will be established amongst the farmers, marketing organizations and the processing industries.

IV.3. MINING

IV.3.1. Coverage of the Sector

Mine products are classified under three main groups, namely metallic minerals, primary sources of energy and non-metallic minerals.

IV.3.2. Developments During the Planned Period

The First Plan production targets for the country's major products were largely attained. During the Second Plan period there have been shortfalls in the case of certain minerals. Delays in the approval of new Mining Laws together with the lack of credit facilities needed by the private miners have been the main causes.

Table IV.11 below gives the values and rates of increase of production for the three main groups.

Table IV.11: Mining Production, 1962-1972

(TL. Million at 1971 prices)

	1962	%Share	1972	%Share	1962-1972 Avr: Ann:Incr: %
Metallic Minerals	207.1	13.6	770.5	17.1	14.0
Non-Metallic Minerals	209.1	13.7	1,254.5	27.8	19.6
Primary Sources of Energy	1,107.1	72.7	2,481.7	55.1	8.4
Total	1,523.2	100.0	4,506.7	100.0	11.5

Study of the Table IV.11 shows that the total value of production in 1972 was 4,506.7 Million TL. as against the Second Plan target of 4,969.2 Million TL.

The trends in production show that the output of chromite, mercury, antimony, borates, marble and corundum has increased in the past plan period; but that the targets for the primary energy sources such as coal, lignite and crude oil have not been achieved. The demand for mining products during the Second Plan period was estimated to grow at the rate of 9.4 % p.a: but it came out to be 10.0 % instead.

The consumption of phosphate and pyrite for the fertilizer industry has increased quite substantially; besides, the rapid expansion in the production of steel has also resulted in an increased demand for iron ore, which grew from 0.4 million ton to 3 million tons. The consumption of crude oil was also increased from 3 million tons to 11 million tons because of high levels of demand for energy.

At the beginning of the First Plan period the important ores for exports were chromite, pyrite and borates; however, by the end of 1972, besides chromite and borates, magnesite, lead and zinc were included in the list.

Crude oil, phosphate rock, and iron ore are the main items imports of which have been grown steadfastly during the Second Plan period.

IV.3.3: Long Term Development of the Mining Sector and Targets of the TFYP

(1) Long Term Developments

Accelerated exploration and development of Turkey's mineral and fuel resources is necessary to meet the increasing needs of raw material inputs for industrial and

agricultural productions. Accordingly, detailed prospecting and exploration, efficient development and exploitation of these resources are the long term goals of the development plans. Projections of the value of the mineral production over the period of next ten years are given in the Table IV.12 below:

Table IV.12 : Values of the Mining Products, 1972-1982

(TL. billion at 1971 prices)

Groups	1972	1977	1982
Metallic Minerals	0.8	2.5	6.3
Non-metallic Minerals	1.2	2.7	4.7
Primary Sources of Energy	2.5	4.0	6.0
Value of the Total Production	4.5	9.2	17.0

The exploration and production operations especially in the case of coal, crude oil, iron, copper, alumina, zinc and tungsten ores will have priority during the next ten years. For the period covering 1972-1995, the production of non-metallic minerals and fuels is estimated to increase at an average annual rate of about 9%.

(2) The Basic Premises of the Targets of TFYP

The targets envisaged under the TFYP are fixed under the following provisions:

(1) Mining laws have to be modified.[1/]

(2) Laws concerning petroleum require suitable amendments.[1/]

1/ For details, see Part VI on Reforms.

(3) Production of ores have to be orientated primarily to meet the demand placed by growing industrial sector.

(4) Extraction of indigenous fuels and their use in generating thermal and electric energy, will be given priority.

(5) Industrialization being the main development objective, exploration will be accorded higher priority on the long term basis.

(6) Demand for the non-metallic minerals will be met through indigenous sources.

(7) In order to increase the production of minerals,priority will be given to the exploitation of known reserves and to the increasing of their production capacities.

(8) Iron ore and coal mining will be developed under the responsibility of the public sector.

(9) Public petroleum exploration activities will be increased as compared to the past two plan periods.

(3) Demand

Domestic demand for total mining products is expected to grow at an average annual rate of 13.4%. Demand projections in terms of value of production are given in Table IV.13.

Table IV.13: Domestic Demand Projections in Terms of Value of Production

(TL. million at 1971 prices)

	1967	1972	SFYP Average Annual Increase, %	1977	TFYP Average Annual Increase, %
Metallic Minerals		766.6		2,095.4	22.3
Non-metallic Minerals		1,273.9		2,417.4	13.7
Primary Sources of Energy	2,359.5	3,437.1	7.8	5,746.8	10.8
Total	3,038.2	5,477.6	12.5	10,259.6	13.4

As regard the external demand it is estimated to grow at an average annual rate of 17.0%. Prominent amongst the exportable minerals will be borates, magnesite (sintered), chromite, tungsten and marble.

(4) Production

In order to keep pace with the growing demand, it is anticipated that during the TFYP the output of the mining sector will increase on an average at 15.3% per year. Extraction of iron ore, chromite, bauxite and copper ore from the newly developed mines will be the main feature of the metal mining operations. Production of non-metallic minerals such as borates, asbestos, phosphate rock and pyrite will also show a marked increase. Production estimates in terms of value of production are given in Table IV.14.

Table IV.14: Estimates of Production for Mining Sector

(TL. million at 1971 prices)

	1967	1972	SFYP Average Annual Increase, %	1977	Increase For 5 Years %	TFYP Average Annual Increase, %
Metallic Minerals	338.3	770.5	17.9	2,531.8	228.6	26.8
Non- metallic Minerals	441.4	1,254.5	23.3	2,640.0	110.4	16.0
Primary Sources of Energy (Fuels)	2,055.6	2,481.7	3.8	3,996.8	61.1	10.0
Total	2,835.3	4,506.7	9.6	9,168.6	103.4	15.3

(5) Imports

Imports of minerals during TFYP period is estimated to increase by 7.7% p.a. The imports of the metallic minerals is expected to be discontinued after 1977.

Import projections for the mining sector in terms of value of production is given in Table IV.15.

Table IV.15: Import Projections of the Mining Sector

(TL. million at 1971 CIF prices)

	1967	1972	SFYP Average Annual Increase, %	1977	TFYP Average Annual Increase, %
Metallic Minerals	1.7	302.8	-	-	-
Non-metallic Minerals	69.5	274.6	31.6	474.7	11.6
Primary Sources of Energy	763.9	955.0	4.6	1,750.0	12.9
Total	835.1	1,532.4	12.9	2,224.7	7.7

(6) Investments

During the years 1963 to 1972 an investment to the tune of TL. 10 billion (at 1971 prices) has been made in the mining sector. For the TFYP period the investment would be of the order of TL.16.3 billion. Investment priorities will be accorded to metallic minerals, coal, crude oil and non-metallic minerals in descending order. About 40% of these investments will be allocated to prospecting, exploration and research.

Table IV.16 gives the distribution of investments in the mining sector.

Table IV.16: Distribution of Investments in Mining Sector

(TL. million at 1971 prices)

	FFYP Actuals	SFYP Estimates	TFYP Targets
Exploration	1,802.2	2,561.1	6,530.0
Operations and Production	2,672.4	2,961.0	9.770.0
Total	4,474.6	5,528.1	16,300.0

The main activities and projects which will be financed through these allocations include the following:

(i) Divrigi iron ore concentration and pelletizing projects are expected to be realized.

(ii) Hasançelebi iron ore agglomeration project will start production by the end of the term.

(iii)Divriği-Hekimhan iron ores will be studied for the production of sponge-iron.

(iv) Production of manganese will be increased.

(v) Master plan for Zonguldak coal district will be completed and production will be started according to the project.

(vi) Lignite production from Soma, Tunçbilek, Seyitömer and Çan areas will be increased and operations at Afşin-Elbistan will be started.

(vii)Studies on the usage of natural gas in Turkey will be undertaken.

(viii)Priority will be given to achieve the investment targets for the exploration and production of crude oil.

(ix) Production of tungsten is planned to be realized.

(x) Copper ore from Espiye, Çayeli and Harköy areas will be exploited.

(xi) Phosphate mines in West Kasrık area will be operative.

(xii)The project for the production of marble up to 25.000 M^3/Year is expected to be realized.

(xiii)Chromite production from Kefdağı area will be realized.

IV.4. MANUFACTURING INDUSTRY

IV.4.1. General Remarks

During the planned period and especially in the Second Plan, rapid industrialization has been a prominent feature of development efforts. In the new strategy, industrialization has been considered as the main goal and in order to achieve this objective, faster rate of transformation in industrial structure similar to that of advanced economies have been envisaged. It is obvious that in view of the decision taken to join the EEC, Turkey should establish basic industries in the shortest possible time so as to change her economic structure. It is also reasonable to assume that with her level of income and savings, her natural resources, her infrastructure and skilled manpower the setting-up of manufacturing industries of optimal size and with advanced technology is quite feasible for Turkey.

As a rule, industrialization will be achieved by taking international conditions into account. Benefits to be derived by joining EEC would be to increase the export of industrial products. This will necessitate change in industrial structure by setting up of intermediate and investment goods industries. Production of capital goods will provide impetus to the further expansion of engineering industries and facilitate the application of modern techniques.

IV.4.2. Targets for the TFYP

(1) The Structure of the Manufacturing Industry

The strategy of industrialization for the TFYP flows inevitably from the industrial development of the past and, the industrial targets set for the next 22 years under the "New Strategy".

The first important element in the strategy of industrialization for the TFYP is a shift in emphasis from consumer goods to intermediate and investment goods industries. Besides, application of advanced technology has been given special importance in order to minimize dependence on foreign sources. Accordingly, it is envisaged that during the TFYP period the share of the intermediate and investment goods industries in manufacturing output will increase from 53.4% in 1972 to 61.7% in 1977 and that the share of consumers'goods industries will decrase from 46.6% in 1972 to 38.3 in 1977. (Table IV.17).

Table IV.17: Percentage Distribution of the Value of Gross Output in the Manufacturing Industry, 1972-1977

Subsectors	1972		1977	
Consumer Goods Industries	46.6	100.0	38.3	100.0
Food		53.3		50.5
Beverages		2.7		3.1
Tobacco		8.6		9.0
Textiles and Clothing		35.4		37.4
Intermediate Goods Industries	39.4	100.0	44.2	100.
Forest Products		8.8		6.9
Pulp and Paper		3.6		3.6
Printing		2.6		2.6
Hides and Leather		5.0		4.8
Rubber		3.6		2.9
Plastics		2.5		2.9
Chemicals		15.5		14.8
Petrochemicals		1.1		3.3
Petroleum Products		23.0		22.1
Fertilizers		2.3		3.9
Cement		4.4		3.4
Clay and Cement Products		2.5		2.1
Glass		2.7		2.3
Ceramics		0.8		0.7
Iron and Steel		17.6		18.2
Non-ferrous Metals		4.0		5.5
Investment Goods Industries	14.0	100.0	17.5	100.0
Metal Products		21.9		20.8
Machinery		15.7		20.6
Agricultural Machinery and Appliances		9.4		9.6
Electrical Machinery		7.7		8.8
Electronics		6.9		8.3
Road Vehicles		32.9		27.1
Railway Vehicles		3.4		2.8
Shipbuilding		2.1		2.0
MANUFACTURING INDUSTRY	100.0		100.0	

The TFYP postulates an average annual production growth rate of 11.7% for the manufacturing sector as a whole. The increase in the production of consumer goods is expected to be 7.4%; while that of the intermediate and investment goods would be 14.3 and 16.8% respectively. These rates of growth of production are considered essential to bring about the requisite changes in the structure of the manufacturing sector. In the group of investment goods industries, the production of machinery and tools, electrical machinery and electronics is expected to be growing at a faster rate. Under the consumer goods industries, textiles, clothings and beverages will be the rapidly expanding products. As regards the intermediate goods, production growth rates would be relatively higher for petrochemicals, fertilizers and metallurgical industries, etc. In Table IV.18 are shown the production estimates of the subsectors of the manufacturing industry.

Table IV.18: Production Estimates for the Subsectors of the Manufacturing Industry

(TL. Million at 1971 Prices)

Subsectors	SFYP (1967-72) Gross Value of Output in 1972	SFYP (1967-72) Average Annual Increase %	TFYP (1972-77) Gross Value of Output in 1977	TFYP (1972-77) Percentage Increase in 5 years	TFYP (1972-77) Average Annual Increase, %
Consumer Goods Industries	52,815.4	7.7	75,501.0	43.0	7.4
Food	28,169.0	6.9	38,153.0	35.4	6.3
Beverages	1,419.0	3.2	2,350.0	65.6	10.6
Tobacco	4,527.4	11.6	6,798.0	50.2	8.5
Textiles and Clothing	18,700.0	8.2	28,200.0	50.8	8.6
Intermediate Goods Industries	44,675.0	12.8	87,308.0	95.4	14.3
Forest Products	3,934.3	8.3	6,055.0	53.9	9.0
Pulp and Paper	1,609.5	19.1	3,140.0	95.1	14.3
Printing	1,140.0	13.5	2,262.0	98.4	14.7
Hides and Leather Industry	2,251.0	5.6	4,232.0	88.0	13.4
Rubber	1,590.0	7.5	2,500.0	57.2	9.5
Plastics	1,100.0	16.4	2,500.0	127.3	17.8
Chemicals	6,914.5	16.5	12,881.0	86.3	13.3
Petrochemicals	491.9	44.9	2,861.0	481.6	42.3
Petroleum Products	10,288.8	13.8	19,254.0	87.1	13.4
Fertilizers	1,005.7	32.0	3,442.0	242.2	28.0
Cement	1,972.0	15.0	3,016.0	52.9	8.9
Clay and cement products	1,138.7	11.8	1,830.0	60.7	10.0
Glass	1,202.2	21.0	2,016.0	67.7	10.9
Ceramics	358.2	10.8	646.0	80.3	12.5
Iron and steel	7,884.1	10.1	15,881.0	101.4	15.0
Non-ferrous Metals Industry	1,794.1	11.7	4,792.0	167.1	21.7
Investment Goods Industries	15,960.0	14.6	34,618.0	116.9	16.8
Metal Products	3,500.0	9.2	7,200.0	105.7	15.5
Machinery	2,500.0	9.1	7,140.0	185.6	23.4
Agricultural Machinery and Appliances	1,494.0	19.7	3,329.0	122.8	17.4
Electrical Machinery	1,235.0	10.8	3,057.0	147.5	19.9
Electronics	1,108.0	31.3	2,880.0	159.9	21.0
Road Vehicles	5,248.0	20.0	9,369.0	78.5	12.3
Railway Vehicles	540.0	13.9	945.0	75.0	11.8
Shipbuilding	335.0	15.7	698.0	108.4	15.8
TOTAL MANUFACTURING INDUSTRY	113,450.4	10.4	197,427.0	74.0	11.7

(2) Investments

In order to attain the long term goals of the perspective plan, it is envisaged that a fixed capital investment of the order of 87.7 billion TL. has to be made in the manufacturing sector during the TFYP. The percentage distribution of these allocations would be 16.6% for consumer goods, 22.0% for investment goods and 61.4% for the intermediate goods industries. Some of the important projects under the last-named group would include chemical fertilizers, the Second Petrochemical Complex, a new petroleum refinery and a chemical complex at Tarsus. In the group of metallurgical industries, expansion of iron and steel project at Iskenderun, aluminium, zinc and lead projects will be given top priority. As regard the investment goods industries, emphasis will be placed on the production of diesel engines for automotive industries, marine diesel engines, the shipyard at Pendik and other transportation requirements along with the heavy machinery and equipment. Table IV.19 gives the investment allocations for different groups of the manufacturing industry. Production estimates for certain important items under the manufacturing industries have already been listed in Table IV.01.

Table IV.19: Investment in the Manufacturing Industries

(TL. Million at 1971 Prices)

Subsectors	FFYP (1963-67)	SFYP (1963-72)	TFYP (1973-77)	Percentage Distribution in the TFYP
Consumer Goods Industries	5,257	7,093	14,520	16.56
Food	1,797	2,761	4,870	5.55
Beverages	309	631	500	0.57
Tobacco	279	200	400	0.46
Textiles and Clothing	2,872	3,501	8,750	9.98
Intermediate Goods Industries	10,914	27,690	53,880	61.43
Forest Products	261	733	1,250	1.42
Pulp and Paper	443	2,690	4,250	4.85
Printing	358	419	350	0.40
Hides and Leather Products	93	119	700	0.80
Rubber	710	257	700	0.80
Plastics	153	399	400	0.46
Chemicals	2,428	6,419	3,850	4.39
Petrochemicals	- a/	- a/	4,650	5.30
Petroleum Products	- b/	3,476	6,750	7.70
Fertilizers	- a/	- a/	4,670	5.32
Cement	1,054	2,125	2,060	2.35
Clay and Cement products	1,077	1,421	480	0.55
Glass			650	0.74
Ceramics			270	0.31
Iron and Steel	4,337	5,684	15,400	17.55
Non-ferrous Metals		3,948	7,450	8.49
Investment Goods Industries	2,593	5,831	19,300	22.01
Metal Products	975	1,161	4,100	4.67
Machinery	329	1,587	6,700	7.65
Agricultural Machinery and Appliances	100	307	1,550	1.77
Electrical Machinery	457	563	1,550	1.77
Electronics		147	1,500	1.77
Road Vehicles	602	1,833	1,080	1.23
Railway Vehicles			300	0.34
Shipbuilding			1,020	1.16
Aircraft Repair and Maintenance			1,500	1.71
Small Industry	130	223		
TOTAL MANUFACTURING INDUSTRY	18,764	40,614	87.700	100.00

a/ Included in the Chemicals.

b/ Included in the Mining Sector.

(3) Foreign Trade

Import estimates and export projections in the context of the sub-sectors of the manufacturing industry are given in Table IV.20. Study of the Table IV.20 indicates that there will be a noticeable shift in favour of investment goods industries. For example imports of intermediate goods will decrease from 43.2% in 1972 to 28.4% in 1977. On the other hand, the share of investment goods in total manufacturing imports will increase from 55.1% in 1972 to 68.6% in 1977 (Table IV.21).

As regards the composition of exports, the shift will be towards the increasing share of intermediate and investment goods. For example the share of intermediate goods in the total exports is estimated to increase from 18% in 1972 to 28.8% in 1977; while that of the investment goods from 2.1% to 7.7%.

For consumer goods the percentage is expected to decrease from 79.9% in 1972 to 63.5% out of the total exports of the manufactured goods. Though some change is anticipated in the composition of the consumer goods, their export will continue to maintain its importance during the TFYP.

Table IV.20: Projections of External Trade for the Manufacturing Industry

(TL. Million at 1971 Prices)

Subsectors	Imports		Exports		TFYP Average Annual Increase, % Imports	TFYP Average Annual Increase, % Exports
	1972	1977	1973	1977		
Consumer Goods Industries	292.4	600.0	4,853.3	7.003.2	15.4	7.6
Food	70.0	200.0	2,735.0	3,748.0	23.4	6.5
Beverages	12.4	50.0	18.3	75.2	32.1	32.7
Tobacco	-	-	1,500.0	1,500.0	-	-
Textiles and Clothing	210.0	350.0	600.0	1,680.0	10.8	23.0
Intermediate Goods Industries	7,189.4	6,430.3	1,096.4	3,195.6	-2.2	24.9
Forest Products	-	20.0	65.2	280.7	..	33.9
Pulp and Paper	166.9	181.3	29.9	109.7	1.7	29.7
Printing	54.0	100.0	5.1	10.6	13.1	15.7
Hide and Leather Products	26.0	73.5	252.0	583.0	23.0	18.3
Rubber	65.0	275.0	15.0	140.0	33.4	56.3
Plastics	5.0	10.0	5.0	10.0	14.9	14.9
Chemicals	1,558.6	2,934.0	168.0	594.6	13.5	28.8
Petrochemicals	796.3	485.0	3.8	113.2	-9.4	97.1
Petroleum Products	346.2	200.0	182.0	234.0	-10.4	5.2
Fertilizers	987.0	681.0	-	-	-7.2	-
Cement	-	-	84.0	-	-	..
Clay and Cement Products	67.2	70.0	4.6	15.0	0.8	26.7
Glass	24.5	50.5	56.8	124.8	15.6	17.1
Ceramics	23.0	50.0	-	-	16.8	-
Iron and Steel	2,624.0	1.000.0	78.0	-	-17.6	..
Non- Ferrous Metals	445.7	300.0	147.0	980.0	-7.6	46.1
Investment Goods Industries	9,177.0	15,790.0	126.5	845.0	11.5	46.2
Metal Products	385.0	1,215.0	22.0	45.0	25.8	15.4
Machinery	5,300.0	8,715.0	30.0	200.0	10.5	46.1
Agricultural Machinery and Appliances	237.0	250.0	0.5	10.0	1.1	82.0
Electrical Machinery	686.0	1.600.0	11.0	314.0	18.5	23.3
Electronics	629.0	1,170.0	7.0	110.0	13.2	73.4
Road Vehicles	930.0	1,450.0	13.0	73.0	9.3	41.2
Shipbuilding	550.0	750.0	8.0	23.0	6.4	23.5
Railway Vehicles	100.0	150.0	35.0	70.0	8.5	14.9
Aircraft Repair and Maintenance	360.0	490.0	-	-	6.4	-
Others	-	500.0	-	-	-	-
MANUFACTURING INDUSTRY	16,658.8	23,320.3	6,076.2	11,043.8	7.0	12.7

Table IV.21: The Composition of Imports and Exports of the Manufacturing Industry

(As Percentages)

Subsector	Imports 1972	Imports 1977	Exports 1972	Exports 1977
Consumer Goods	1.7	3.0	79.9	63.5
Intermediate Goods	43.2	28.4	18.0	28.8
Investment Goods	55.1	68.6	2.1	7.7
TOTAL MANUFACTURING INDUSTRY	100.0	100.0	100.0	100.0

IV.4.3. Principles and Measures

Some of the policy measures and incentives which are likely to effect the manufacturing industries as a whole are as follows:

(1) Intermediate and investment goods industries which require advanced technology will be protected for a reasonable time period against competitive imports and will be given incentives.

(2) In deciding upon new investments economic capacity will be taken into account, however, if such a decision results in monopoly, then the adverse effects of monopoly will be avoided not by setting up of small capacities but through price and quality controls and by imports if necessary.

(3) In those industrial branches where the scope for inter-industry transactions is fairly large, establishment of integrated industries will be given priority.

(4) Technological advances give impetus to rapid industrialization. Accordingly, preparatory work in certain fields for a transition towards a technology-producing society will be undertaken during the TFYP period.

In order to implement these measures, due consideration will be given to investing and decision-making procedures, project preparation, productivity, industrial research, training, flow of information, standards, quality control and other related activities.

NOTE: (a) For further details, refer to the PART V on Policies.

(b) As regard the details about the subsectors of the manufacturing industry, the reader should consult the relevant chapters of the TFYP.

IV.5. ENERGY

IV.5.1. Coverage of the Sector

Energy sector covers all the production and consumption activities related to primary and secondary energy types.

At present six different primary sources are being used for the generation of energy in Turkey. They are lignite, hardcoal, petroleum products, hydrolic sources, wood and dung. The secondary energy sources covers electrical energy, coke and city-gas. In addition to these, other primary sources of energy including natural gas, geothermal and nuclear products will be used in the perspective period.

IV.5.2. Developments During the Planned Period

The per capita consumption of energy as the equivalent of petrol has increased from 453 kg. in 1962 to 620 kg. in 1972. Limited production of the sources of energy has suppressed the energy demand in many fields other than the industry and transportation sectors. Since the consumption of lignite for heating purposes has not increased as foreseen in the Plans, the percentage of the non-commercial fuels, i.e. wood and dung could not be reduced to the desired levels. In spite of remarkable rise in the production of crude oil during the First Plan period, the dependency on imported fuels has increased during the Second Plan as a result of a slow-down in the indigenous oil production.

Table IV.22: Primary Energy Consumption, 1962-1972
(Hydrolic Energy: Gwh
Others: Thousand Tons)

Main Items	1962	1967	1972 (Estimate)
Hard Coal	3,810	4,337	4,806
Lignite	2,979	4,618	6,500
Petroleum Products	2,491	5, 298	9,905
Hydro Energy	1,124	2,382	3,397
Wood	13.700	12,831	12,800
Dung	12,705	13,849	14,826

Table IV.23: Primary Energy Consumption, 1962-1972
(Petroleum equivalent in Thousand Tons)

Main Items	1962	1967	1972 (Estimate)
Hard Coal	2,455	2,732	3,220
Lignite	953	1,478	2,025
Petroleum Products	2,491	5,298	9,905
Hydro Energy	281	595	850
Total			
Commercial Energy	6,180	10,103	16,000
Wood	4,110	3,847	3,840
Dung	2,920	3,182	3,410
Gross Total	13,210	17,132	23,250
Per Capita Consumption (kg)	453	519	620

Table IV.24: Percentage of different Sources in Primary Energy Consumption, 1962-1972

Main Items	1962	1967	1972 (Estimated)
Hard Coal	18.6	15.9	13.9
Lignite	7.2	8.6	8.7
Petroleum Products	18.9	30.9	42.6
Hydro Energy	2.1	3.5	3.7
Total Commercial Energy	46.8	58.9	68.9
Wood	31.1	22.5	16.5
Dung	22.1	18.6	14.6
Total Non-commercial Energy	53.2	41.1	31.1
GROSS TOTAL	100.0	100.0	100.0

Among the secondary energy sources, coke has mainly supplied the industrial demands and in accordance with the Annual Programmes, coke consumption for heating purposes was reduced. In contrast to the limited increase in city-gas production, the consumption of fuel-oil and LPG has increased significantly. The rate of increase in the generation of electric energy between 1955-1960 was 12% p.a. and it dropped down to 7% in 1960-1961. However, during the planned period, the rate of realization of the electric energy production targets was 95 % on the average and the annual rate of increase was 12 %. It is estimated that the per capita electric energy production will reach 294 Kwh in 1972 compared to 118 Kwh in 1962. As of December

1971, there are 27 production plants on the interconnected system, 20 of which are hydraulic and 7 thermal. 23 of the plants are operated by Turkish Electricity Authority (TEK). The interconnected system which ties the Western Anatolia to the North-West and Mid-Anatolia subsystems was first constructed in 1963. It was expanded in 1970 by connecting it to Almus, Mid-Black Sea and Çukurova subsystems. At present 56 provinces, 336 towns and 449 municipal districts are being supplied from this system. In addition to this, 11 provinces, 233 towns and 90 municipal districts are being supplied with electricity outside of the system. The number of willages with electricity will be around 4300 by the end of 1972.

During the First Plan only 63% of investment allocated to energy sector was realized. It is estimated that during the Second Plan the investment targets set for the energy sector will be fulfilled in money terms. There were delays in the construction of plants, however. These delays caused plants not foreseen in the Plan to be installed. These were expensive plants of relatively short duration, dependent on foreign sources.

IV.5.3. Long-term Targets (1972-1995)

Substantial increase in the consumption of fuels and electric energy has been expected as a result of rapid industrialization of the country in the Perspective plan periods. By 1995 the general energy consumption will increase to 1890 kg. in petroleum equivalent, and that of the electric energy to 1890 Kwh.

The geothermal and nuclear energy will also be utilized in the Perspective Plan periods. Construction of a prototype nuclear plant will be initiated during the TFYP period. Aside from generating electric energy, this plant will also initiate the introduction of nuclear technology and planning for nuclear power plant.

Production and utilisation of radioactive materials in industry and agriculture will be given due consideration and importance.

IV.5.4. Targets for the TFYP

(1) Demand and Supply

The following two tables present the estimates of energy requirements during TFYP period.

Table IV.25: Primary Energy Consumption, 1972-1977

(Petroleum equivalents in Thousand Tons)

Main Items	1972	1973	1974	1975	1976	1977
Hard Coal	3,220	3,295	3,370	3,455	3,520	3,600
Lignite	2,025	2,338	2,823	3,405	4,420	5,555
Petroleum Products	9,905	11,150	12,550	14,100	15,900	17,900
Hydro Energy	850	960	1,535	2,225	2,250	2,500
Total Commercial Energy	16,000	17,743	20,278	23,185	26,090	29,555
Wood	3,840	3,865	3,880	3,860	3,810	3,710
Dung	3,410	3,460	3,490	3,450	3,390	3,290
Gross Total	23,250	25,068	27,648	30,495	33,290	36,555
Annual Increase (%)		7.8	10.3	10.3	9.2	9.8

Table IV.26: Secondary Energy Consumption, 1972-1977

Main Items	1972	1973	1974	1975	1976	1977
I. COKE	1,550	1,590	1,770	2,200	2,432	2,930
Annual Increase (%)		2.6	11.3	24.3	10.5	20.5
II.CITY GAS	123	130	141	152	165	175
Annual Increase (%)		5.7	8.5	7.8	8.6	8.5
III.ELECTRICITY						
Energy (Gwh)	11,000	12,400	14,450	16,440	18,260	20,330
Annual Increase (%)		12.8	16.5	13.8	11.1	11.3
Power (MW)	1,982	2,214	2,580	2,941	3,272	3,650
Annual additions (MW)		232	366	361	331	378

Study of the Table IV.26 indicates that during the TFYP period the production of and demand for coke will increase at the average rate of 13.6% per year and that the average rates of increase for city-gas and electricity will be 7.8 and 13.2% respectively.

It is estimated that power plants operating presently and the ones which will be commissioned during the TFYP period can meet the power demand with mininum reserve.

The project called "The First Stage of the Interconnected System", i.e. connecting of all existing sub-systems will be completed in 1977. Thus the existing network of 11,934 Km. (as of December 1971) which is operated by Turkish Electricity Authority (TEK) will be extended to 27,672 Km. by the end of 1977. If the proposed plants can be put in operation in their

planned time, the generating capacity, as it is expressed in terms of power, average and firm energy will reach 4756 MW, 22466 Gwh and 20742 Gwh respectively in 1977; with the addition of 2293 MW and 11932 Gwh (average) in the TFYP period.

(2) Investments

For the development of the energy sector, an investment of TL. 39.4 billion at 1971 prices has been allocated under the TFYP. Of this amount, an allocation of TL. 23 billion has been earmarked for the generation, transmission and distribution of electrical energy. Distribution of investment for the different subsectors is given in Table IV.27.

Table IV.27: Allocation of Investment in the Energy Sector

(TL. million at 1971 prices)

	FFYP (Realization)	SFYP (Estimates)	TFYP (Targets)
I. Electrical Energy, Total	-	-	23,013
Power Production Projects	-	-	13,187
Transmission Systems	-	-	3,567
Distribution Systems	-	-	4,374
Plant and Network Maintenance	-	-	1,885
II. Nuclear Energy, Coke and City-gas	-	-	1,005
General Total	5,846	13,416	24,018

IV.5.5. Policies and Measures

(1) In order to meet the increasing demand for energy resulting from industrialization and better living standards through utilization of national resources in a best possible manner, a state monopoly will be essential in the production of electricity.

(2) Energy supplies based on external sources will be looked into in the light of the following provisions:

(i) Consideration will be given to minimize dependence on the foreign sources of supplies.

(ii) Energy should not be obtained from a single foreign source.

(iii)As it being done in many countries, possibilities of energy exchange with neighbouring countries will be investigated on mutual exchange basis.

(3) Turkish Electricity Authority (TEK) will be commissioned to introduce nuclear technology for power production. The nuclear energy production will be planned in such a way that it will be put into operation when domestic supplies of fuels like coal, petroleum and hydro electric sources will prove inadequate to meet the future demand.

(4) Development on multipurpose hydro-electric plants as well as the Lower Euphrates (Firat), Elbistan-Afsin and Some Thermal potentials will be accelerated.

(5) Necessary changes will be introduced in the structure of organisations and ministries which are in charge of the operation investment, and resource development in order to complete investments in planned time and cost.

(6) Under village electrification programmes, priority will be given to central villages as foreseen in the "New Strategy.' The planning, operation, investment,maintanence and the on-the-job training of villagers will be carried out under a single authority and organization. In these fields necessary cooperation and assistance will be provided by the Ministry for Rural Affairs.

IV.6. TRANSPORT AND COMMUNICATION

IV.6.1. Long Term Objectives in Transport Sector

An effective transport and communication system is a prerequisite for rapid economic growth. Accordingly, the policies to be adopted in the long term would be to expand and develop the transport sector so as to accommodate the future transport demand which will be created by industrialization as envisaged in the New Strategy. It is assumed that the total length of the State and provincial highways network to a large extent will remain the same and that the endeavours in future will be directed mainly towards the improvement of the physical and geometric standards of the existing ones.

It is expected that, for the passenger transport, the highways in the domestic routes and the airways on the international routes will attain higher magnitudes. For the transport of goods, the importance of the highways for national routes and that of seaways on international lines will continue. In comparison to the present situation, an increase in the share of railroads in the whole transport sector is deemed necessary to meet the demand for the services required by industrialization in the long term.

IV.6.2. Targets for the TFYP

(1) Demand

Since the level of transport activity and economic growth are closely interrelated, the transport requirements for any period are determined by the extent of development envisaged in the other sectors of economy. The objectives and goals of the TFYP are expected to generate a sharply increasing demand for transport services. The case of urban and rural passenger transport through highways provides an example. During the TFYP period it is estimated that the average rate of increase for the inter-city and of intra-city transport will be 16.1 and 27.7 %, respectively. The main reasons for these increases are the rapid growth of the urban population, increase in the rate of car ownership and the improvement in the standards of the infrastructure. While the importance of the passenger transport on the highways will continue, the rapid increase in the urban population will also stimulate and increase the demand for the rail transport. As a result, 10% increase per year is expected in the railroad passenger transport for urban areas. In the case of the inter-city air passenger transport, an annual rate of increase of 20 per cent is expected, as a result of increases in the fleet capacity and number of flights of the Turkish Airlines.

For the freight transport on the internal routes it is estimated that the highways will take the major share and highway freight transport, on the average, will increase at the rate of 18.7 % p.a.

In the case of rail transport, the annual rate of increase is anticipated at 8.8%, the main factor in this case being the increased industrial output and its transportation. Possibilities will also be created to carry higher volumes of cargo due to increased capacity of the air fleet.

Passenger traffic on the external routes will mostly be carried by the airways as it happened during the past Plan period. An average rate of increase of 7.0 % is expected in the transport of cargo by airways. It is forecast that the importance of the maritime cargo lines for the external transport will continue and that it will increase from 24 billion ton x km in 1972 to 39 billion ton x km in 1977. Considering the past trends in traffic as well as the implications of factors like the increased pace of industrialization, there will be important increases in the loading and unloading operations in the Black Sea region in the ports of Ereğli, Zonguldak and Samsun as well as at ports of Mersin and İskenderun on the Mediterranean coast.

Substantial increase is also expected in air traffic particularly of "charter" flights for the transport of workers and tourists.

(2) Capacity

Investments in the highways will rather be directed improve the standards of the existing network, assuming that the total length of the State and provincial highways more or less will remain constant. Efforts will be directed in connecting more links from villages to the main centres.

Thus the improved standards of the highway network will handle and accommodate greater volumes of traffic inflows.

Present length of the railroad network of conventional type (normal gauge) is 8135 km. During the TFYP period considerable improvements are expected to be materialized in the physical and geometrical standards of these lines. To meet new requirements placed by industrialization and particularly to enable greater volumes of traffic of coal and iron ore to flow at high speeds, modern standards and alternative new lines are also proposed. As far as the rolling stock is concerned, the importance will be given to use diesel locomotives in lieu of the steam locomotives. It is envisaged that during the TFYP period the number of the diesel locomotives will be increased from 185 in 1972 to 428 in 1977, and that the number of freight wagons will be increased from 16,540 in 1972 to 21,289 in 1977. Thus due to the improvements in the infrastructure and the development of vehicle fleet the traffic and haulage capacity of both the highways and railways will be increased.

The capacity of the merchant fleet will also be increased during the TFYP period mainly because of the completion of those projects which were initiated in the last years of the Second Plan. Furthermore, the objective of carrying the 50 % of the goods to be imported and exported by the national ships will be realized. It is, therefore, expected that the capacity of the merchant fleet will increase from 1,015, 419 DWT in 1972 to 1,765,000 DWT in 1977. Along with these developments the numbers of the dredgers, loading-unloading equipment etc. at ports will also be increased.

It is also envisaged that the number of the aircrafts in the fleet of the Turkish Airlines would increase from 18 in 1972 to 25 in 1977.

(3) Investments

Allocation of investments which have been envisaged for the transport and communications sector during the TFYP period are shown in Table IV.28.

Table IV.28: Allocation of Investment in the Transport and Communications Sector

(TL. million at 1971 prices)

Road Transport	17,600
Railways	7,600
Sea Transport	4,200
Air Transport	4,400
Communications	5,500
Radio and Television	1,300
Total	40,600

IV.6.3. Long-Term Objectives in Communications Sector

The principle to be adopted in the long-term will be to raise the standards of the communication sector to such a level that it would be able to meet the future demand which will be created by the increase of the social and economic

activities in the country. Important increases are expected in the inter and intra-city telephone calls and in the use of telex and telegraphic communications. The rate of development in the postal services will continue at an increased scale as witnessed during the past Plan periods.

IV.6.4. Targets for the TFYP

(1) Demand and Capacity

The rapid increase in the commercial and industrial activities, rising trend towards urbanization and higher incomes will be producing a rapidly growing demand for modern telecommunication services both in respect of intra-city and inter-city calls during the Perspective Plan. In view of these factors that the following projections have been made during the TFYP period:

(i) Intra-city and inter-city telephone calls will increase at an average rate of 14.7 and 27.1 %, respectively.

(ii) The number of telephone subscribers is expected to grow at the rate of 13.1 %, while the telex communications for domestic and external services and the number of subscribers would register increases at the rate of 24.3 % , 19.3% and 25.6% p.a., respectively. An investment of the order of 5,500 million TL. has been envisaged for these services during the TFYP.

(2) Radio and Television

It is envisaged that by the end of 1977 it will be possible to receive the broadcasts all over the country from one national and one regional radio station for longer transmission hours. This would bring the transmission from Turkish Radio Stations to a total of 123,900 hours.

As regards the television it is expected that starting from the border regions all parts of the country will be covered by the national television broadcasts in the System 625/25. It is quite possible that by 1980, about 82% of the population will be within the television transmission range.

(3) Programme under the TFYP

The objectives of the TFYP will be to establish the new and expand the present broadcasting facilities. To achieve this goal, priority will be given to the completion of the installations on national radio network through high transmitting power, reinforcement of the international broadcasts with two new transmitters and the development of regional radio network by setting up a station in the Black Sea region. The annual breakdown of the total transmitting power of 1360 KW which will be added to the existing radio stations has been worked out as under: 200 KW in 1973, 660 KW in 1974, 460 KW in 1975, 20 KW in 1976 and 20 KW in 1977.

As regards the national television, it is expected that by the end of the TFYP period it will have a coverage of about 80 per cent of the population.

In financial terms an expenditure of TL. 1,300 million is expected to be incurred by the end of the TFYP period.

IV.7. TOURISM

IV.7.1. Developments During the Planned Period

A dramatic expansion in international tourism is a phenomenon, which began to assert itself in the 1960's, has also influenced the tourist traffic and spendings in Turkey. During the last two Plans even though there had been a considerable development in tourism in Turkey, the targets set in respect of number of tourists, investments and receipts from tourism have not been achieved fully. Data about the tourism activities during the last two Plans is tabulated as under:

Table IV.29: Number of Foreign Visitors to Turkey

Year	Tourists	Excursionists	Others	Total	Plan Targets
1962	172,867 a/	-	25,361	198,228	-
1967	345,677	174,810	53,568	574,055 b/	415,000
1972	570,000	441,000	89,000	1,100,000 c/	1,435,000

a/ Excursionists are not included
b/ Visitors entering through Hatay are not included
c/ Estimate

The above figures indicate that during the First Plan period the average annual increase in the number of foreign visitors was 23.7% and that for the first four years of the Second Plan this was about 12.7%. In 1971 the number of tourists was 926,000.

During the past two Plans the increase in the number of Turkish citizens travelling abroad was also fairly large. It is estimated that by the end of 1972 [1/] this would reach a figure of 580,000 persons. Table IV.30 and Table IV.31 show these trends, earnings and expenditure respectively.

Table IV.30: Number of Turkish Citizens Travelling Abroad

Category	1962	1967	1972
Tourism	-	49,080	120,000
Pilgrimage [a/]	-	34,612	20,000
Working Abroad [b/]	-	40,820	262,000
Others [c/]	-	13,350	50,000
Total	36,350	137,862	452,000
Workers	11,185	8,855	128,000
Grand Total	47,535	146,717	580,000

a/ From Central Bank Sources
b/ Outgoings of Turkish workers and their families. This figure should not be interpreted as the number of workers sent abroad.
c/ Includes travellings for educational, commercial purposes and on official duties, etc.

1/ As per 1972 Annual Programme.

Table IV.31: Earnings and Expenditure on Tourism

($ Million)

	1962		1967		1972
	Actual	Planned	Actual	Planned	Estimates
A) Earnings					
Tourists	7.3		11.8		
Others	1.0		1.4		
Total	8.3	48.0	13.2	135.0	75.0
B) Expenditure					
Tourists	8.7		10.2		
Others	9.3		16.6		
Total	18.0	28.0	26.8	65.0	55.0
Net (A-B)	-9.7	20.0	-13.6	70.0	20.0

To sum up the situation that existed during the last two Plans, it would be correct to state that the figures given with regard to the number of foreigners visiting Turkey and the amount of tourism receipts fell short of the targets envisaged.Nevertheless, during the last years of the Second Plan reasonable progress has been made in the development of the infrastructure and physical planning for touristic purposes especially in the regions of Mediterranean, South Aegean, Cappadocia, Uludağ and partly of Marmara through the implemention of the incentives provided by the Government. These measures have encouraged the development of facilities and sites for tourists as will be seen in Table IV. 32 below:

Table IV. 32: Facilities available in 1971

Type	Classification	Numbers	Accomodation (Rooms)	Number of Be
Hotels	Luxury Class	7	1,554	2,632
	1st. "	9	1,008	1,865
	2nd. "	27	2,208	4,002
	3rd. "	63	3,145	5,504
	4th. "	92	3,425	6,062
Motels	1st. "	25	1,230	2,371
	2nd. "	37	1,325	2,732
	Others	8	428	838
Pensions (Boarding-houses)	1st. Class	7	146	286
	2nd. "	14	241	455
	3rd. "	13	160	358
Holiday-Village	A-Class	3	1,144	2,248
	B-Class	2	180	436
Holiday Sites		6	232	518
Camps	2nd. Class	4	106	272
	3rd. "	10	110	224
Private Sites		4	209	432
Total		331	16,851	31,235

IV.7.2. Targets for the TFYP

Judging from the recent trends in the international tourism and taking into account the numerous attractions which Turkey offers to tourists, it is estimated that during the next five years the number of foreign tourists visiting the country

will increase on an average by 13% per annum. The gross tourist receipts on an average will grow at 20% every year. On the other hand, both the Turkish visitors going abroad and their expenditures would increase at an average rate of 13% per annum. Accordingly the number of foreign tourists visiting Turkey is estimated to reach about two million in 1977, while the gross tourist receipts and net tourism receipts would be around 186.6 and 85 million dollars respectively.

At the begining of the TFYP about 72,000 beds are available for international tourism. This number is expected to increase to 126,000 by the end of 1977. In order to achieve this target, an investment of the order of 4.5 billion TL. has been envisaged. One and a-half billion TL. is ear-marked for the development of infrastructures and 3.0 billion TL. will be spent on basic tourism and lodging facilities. Investments for touristic and basic installations will be undertaken particularly in the priority regions where physical planning has already been completed. Private sector is expected to play an important role in the expansion of the tourism as it had done under the Second Plan.

IV.7.3. Principles and Measures

Some of the basic principles to be followed and measures to be taken during the TFYP period may be summarised as under:

(1) Investments, promotion activities and the reorganization of the tourism sector shall be based on the requirements of mass tourism.

(2) In principle, investments for tourism superstructure shall be made by the private sector in accordance with the requirements of the international and domestic tourism activities. In cases where the Turkish private sector proves financially inadequate in undertaking joint projects with foreign investors, the public sector shall provide partnership for the foreign investors. The public sector will also intervene when pilot operations are needed to activate the market.

(3) Physical planning studies shall continue in regions where there is a high potential for tourism by reorganizing the use of land and infrastructural activities. Physical planning studies shall also be oriented toward preventing the unregulated development of hotels and recreation areas. Investments for construction of touristic installations shall be made in harmony with the infrastructural investments. In the preparation and the application of land use plans, the Ministry of Tourism and Information shall cooperate with the Ministry of Reconstruction and Settlement.

(4) Coastal lines, touristic zones and national parks shall be preserved and utilized in the interest of public. In the use of these areas, priority shall be given to the regions where land use studies have been completed or where tourism is developing rapidly. Necessary legislation will be prepared and brought into force for such purpose.

(5) Financing for tourism superstructure shall be provided mainly through the Tourism Bank but necessary steps shall be taken for the mobilization of the credit facilities of the

commercial banks for tourism investments.
Incentive measures will be taken to favour supersturcture investments in pri ..y centers and regions.

(6) By spreading the holidays in the country during the year, domestic tourism activities shall be regulated in order to prevent domestic demand for accomodation coinciding with the rise of demand from abroad. Resort facilities of public enterprises will be made available for international tourism during certain periods of the year whereby the cost of holidays to the public employees can also be lowered.

(7) Training for tourism shall provide mainly practical experiences rather than academic knowledge and necessary legislation shall be prepared and brought into effect in order to regulate the labour relations to facilitate emplovment of personnel trained at regular institutions at all tourist establishments.

IV.8. PUBLIC SERVICES

IV.8.1. Coverage of the Sector

This section includes services such as mapping, land survey, town planning, water supply for cities, villages and industry, central and municipal administrations, etc.

IV.8.2. Mapping and Land Survey

In view of the fact that the essential terms and conditions for land ownership have not been properly worked out and established, problems like losses of taxes and dues on the sale of land, inheritance, succession etc. have been causing delays in the implemention of policies and programmes outlined for various sectors. In order to find an early solution for the problems related to agricultural reforms, irrigation, drainage, town planning, real estate business, slum improvement, etc. it is proposed that mapping and land survey activities be expedited and completed during the next fifteen years. To achieve this goal, public sector investment amounting to TL. 710 million has been allocated during the TFYP period. This outlay is expected to ensure better use of state owned and trust lands, resulting in higher public revenue through efficient collection of taxes, levies and dues. Besides, it will minimize the legal proceedings pertaining to lands, sites and disputed properties which constitute roughly 70 to 80% of the all the cases brought before the civil courts.

IV.8.3. Amenities and Other Services

As a result of urbanization and rapid development in the industrial activities, the demand for amenities and civic services such as the supplies of drinking water, drainage and sewage disposal systems, etc, has been growing quite fast. Such an expansion calls not only for larger investments and long-term planning but also require concentrated efforts to direct and co-ordinate the activities of different organizations and ministries.

It is envisaged that during TFYP period some 22,000 rural settlements will be supplied with drinking water. With regard to the drinking water for the cities, some 300 new projects will be prepared and work on 200 units will be completed. Furthermore, existing sewage systems will be improved and work on the new ones will be undertaken.

Presently various public organizations are engaged in the evaluation, projections and planning of these amenities. In order to obtain quick and better results, it is imperative that there should be an effective co-ordination and collaboration amongst these institutions both at the local and central administrative levels so that the requisite technical and financial assistance from the Central Administration could be used for the maximum benefit of the Local Authorities.

IV.8.4. General Administration

During the TFYP period a sum of TL. 13 billion (at 1971 prices), has been allocated for the Public and Commercial Services. Of this amount 8 billion TL. is reserved for Public Services, while the share of the Commercial Services is TL. 5 billion.

IV.9. SOCIAL INFRASTRUCTURE

IV.9.1. Population

The three main components of population change, namely births, deaths and migration, determine the general structure of the population. In relation to the effect of these components, the changes observed in the age structure as well as in the total population either slow down the social and economic development or accelerate it as long as they are being affected by the development itself.

The crude indicators of fertility as well as the variations observed in the age structure show a decline in fertility in Turkey. The changes in the demographic variables appear both cross-sectionally (i.e. across the country) and also longitudinally (within a time span). On the basis of the provisional results of 1970 Census and the demographic surveys, the current input parameters of the population were investigated.

The six alternative sets of estimates, based upon the different fertility assumptions, were prepared in order to study the range of possibilities for the future trend of the population. For all the alternatives, the improvements in mortality were assumed to follow the same trend which enables an increase in life expectation at birth to 65.0 years for males and 70.4 years for females in 1995. The most probable set in accordance with the future social and economic progress (Alternative C in Table IV.33) was chosen among the six for the TFYP Period.

The results are presented in the Tables IV.33-34 below.

Table IV.33: Population Projections a/

(Thousands)

	1970	1975	1980	1985	1990	1995
High Fertility	35 667	40 813	47 282	55 226	64 823	76 353
Medium Fertilty	35 667	40 487	46 199	52 919	60 536	69 136
Low Fertility	35 667	40 162	45 226	50 714	56 632	62 789
Alternative A	35 667	40 487	46 199	52 919	60 162	67 714
Alternative B	35 667	40 218	45 350	50 836	56 560	62 190
Alternative C	35 667	40 487	46 199	52 919	59 628	65 929

a/ Emigrations were not included.

Table IV.34: Demographic Rates of Alternative C a/

	1970-75	1975-80	1980-85	1985-90	1990-95
Natural Rate of Increase	25.4	26.4	27.2	23.9	20.1
Crude Birth Rate	37.5	37.2	36.7	31.8	26.7
Crude Death Rate	12.1	10.8	9.5	7.9	6.6

a/ Cf. Table IV. 33

IV.9.2. Employment

At the beginning of the TFYP Period, the total labour surplus has been estimated as 1.6 million. On the other hand, the employment target of the TFYP is to create 1.6 million additional employment opportunities in non-agricultural sectors in addition to 350 thousand expected to be available in foreign countries. As a result of the high rate of population growth with limited job opportunities, it is estimated that total labour surplus in 1977 will reach 1.8 million.

The employment target in the TFYP has been considered as a variable dependent on the rate of growth rather than an independent one. In view of this fact, the TFYP places the emphasis on the long term and on the economically consistent solutions which largely depend on economic development itself rather than developing temporary short run employment programmes (Table IV.35).

Within this context, the employment policy of the TFYP shall be as follows:

(1) It will be essential to ensure an optimal utilization of the existing labour force in jobs appropriate with their qualifications.

(2) The regions where the rate of unemployment is high will be given priority in the out-migration of labour.

(3) The Employment Office (İş ve İşçi Bulma Kurumu) will take necessary measures to facilitate the effective operation of the labour market.

Table IV.35: Civilian Employment and Labour Surplus Forecasts

(15-64 Age group)
(Thousands)

	1972	1977
I. Supply of Labour	14 317	16 080
II. Demand for Labour	13 567	14 980
- Agriculture	8 763	8 600
- Non-agriculture	4 586	6 197
- Unknown	133	133
- Labour Force Going Abroad within the Year	85	50
III. Non-agricultural Labour Surplus (I-II)	750	1 100
IV. Agricultural Labour Surplus in Peak Season	850	700
V. Total Labour Surplus (III+IV)	1 600	1 800
VI. Ratio of Total Labour Surplus to Total Supply of Labour %	11.2	11.2

(4) A system will be developed for a periodic collection of employment statistics and for conducting necessary studies covering quantitative and qualitative aspects of the employment level.

IV.9.3. Industrial Relations and Labour Problems

The total number of the permanent wage earners in 1971 has reached 4.0 million which constitutes 29.2% of the total employed individuals. The working conditions of the earners differ according to the sectors, to the size of the firms and to the coverage of the legal regulations effective in Turkey. Among the

wage earners, the number of those covered by the Social Insurance system (composed largely of the organized workers) is 1.4 million. On the other hand, there are 1.8 million wage earners employed in agricultural activities and traditional small scale industries, in addition to the 570 thousand workers employed abroad and 800 thousand civil servants (Table IV.36).

Table IV.36: Wage Earners in Active Population

(15-64 Age Group, Thousands)

Years	Economically Active Population	Wage Earners	Workers under Social Insurance	Civil Servants	Agricultural Workers, Craftsmen and Other Wage Earners	Wage Earners in Economically Active Population, %
1963	12,714	2,745	710	489	1,546	21.6
1965	13,006	2,989	921	548	1,520	22.9
1967	13,268	3,310	1,069	594	1,647	24.9
1969	13,537	3,665	1,261	709	1,695	27.0
1971	13,875	4,055	1,404	800 a/	1,851	29.2

a/ Provisional

In the modern and large scale industries, trade unionism has been a powerful institutional factor affecting favourably the working conditions of the workers. Average annual increases in the money and real wages of this group have been 10.3% and 3.7% respectively between 1963-1971. In the traditional sectors and small scale industries, the working conditions are largely determined by the current labour market conditions.

In order to improve the unbalanced working conditions among sectors, the following policies have been determined:

(1) A law regulating the working conditions in the agricultural sector will be prepared.

(2) The working conditions of the workers in small scale indus .es will be regulated through necessary legal changes.

(3) The legal minimum wages will be fixed with a view to ensuring an adequate purchasing power to all employed workers.

(4) Wage policy to be formulated will be based on the cost of living indexes and the productivity increases at the macro level. For the implementation of the wage policy, a threepartite organization formed by the representatives of workers, employers and the Government will be established. 1/

(5) The social and economic problems of the workers abroad will be solved by the coordinated actions of the Ministries concerned.

IV.9.4. Manpower

In the short term, it will be necessary to train skilled manpower who will apply the advanced technology efficiently and adapt it to Turkey's social and economic conditions. In the long run, expected changes in the structure of Turkish economy will necessitate the training of technology-producing manpower.

The basic principle of manpower policy during the TPYP period will be the effective and efficient utilization of the existing manpower. Employment policy will be based on efficiency and on using manpower in their areas of specialization and in positions where they will be most productive. Moreover, according to the social and economic demand, manpower will be trained through formal and informal education during the working life period.

1/ Cf. Chap. V.8.

IV.9.5. Education

Educational policy, as a part of the national development policy, is taken into consideration in conformity with all the development targets. The objective of education, therefore, is to provide a common basic education for all the people and to train qualified manpower in sufficient quantity required for the attainment of the long term development targets. Due to the emphasis placed on industrialization within the Perspective Period 1972-1995, the size and the structure of the educational system will be determined by the manpower requirements of production and especially of industry. On the other hand, the content will be shaped with a view to educating the citizens in social and cultural context within national interest.

Accordingly, the educational system will be organized in the long run in line with the following major principles:

(1) In basic education and in the other educational activities directed to meet the manpower requirements, the curricula will be designed so as to increase the social consciousness and raise individuals with the knowledge and skills that can contribute to the development efforts.

(2) Education will be considered as a whole and as a continuous process. This will mean that the formal and informal education systems will form an entity and that the continuity of education will be provided through the renewal of the knowledge of those in the production process.

(3) The educational system, starting from its lowest levels, will be restructured enabling the system to train every individual with skills required by modern industry in order to contribute

to the working life. The training of those who will apply technology, those who will adopt the technology to the country's needs and conditions, and those who will create technology through research as required by the different developmental stages of the production system, will be accomplished by establishing a thorough relationship between the production system and education.

(4) The educational system will be flexible enough to respond to the changing conditions. This will be accomplished through continuously observing the employment status of those who have completed certain levels of education.

(5) The balanced distribution of the educational institutions all over the country, the equality of opportunity and social justice in benefiting from the educational facilities for individuals of sufficient ability and with low incomes will be taken into consideration.

The Ministry of Education and other educational institutions will be reorganized in line with the principles stated above.

Estimates of the enrollments at various educational levels and scholarization rates during the TFYP period are given in Table IV.37.

IV.9.6. Social Security

The goal of the social security system is to cover the whole population against natural, social and economic risks

TABLE IV. 37: Age Groups, Total Enrollments and Scholarization Rates in Education, 1973-78

(Thousands)

A. BASIC EDUCATION

	First Cycle			Second Cycle		
Years	7-12 Age Group Population	Total Enrollments	Scholarization Rate, %	13-15 Age Group Population	Total Enrollments	Scholarizati Rate,
1973-74	5,770	5,193	90.0	2,642	1,171	44.3
1974-75	5,879	5,879	92.0	2,692	1,209	44.9
1975-76	5,989	5,689	95.0	2,743	1,262	46.0
1976-77	6,112	5,929	97.0	2,793	1,343	48.1
1977-78	6,243	6,243	100.0	2,843	1,441	50.7

B. SECONDARY EDUCATION

	General Lycee			Vocational + Technical Lycee	
Years	16-18 Age Group Population	Total Enrollments	Scholarization Rate, %	Total Enrollments	Scholarization Rate, %
1973-74	2,472	326	13.2	161	6.5
1974-75	2,526	338	13.4	192	7.6
1975-76	2,579	346	13.4	230	8.9
1976-77	2,631	353	13.4	268	10.2
1977-78	2,682	359	13.4	308	11.5

C. HIGHER EDUCATION

Years	19-22 Age Group Population	Total Enrollments	Scholarization Rate, %
1973-74	2,935	208	7.1
1974-75	3,053	232	7.1
1975-76	3,149	252	8.0
1976-77	3,231	275	8.5
1977-78	3,306	298	9.0

together with the new needs that may arise as the economic and social structure changes.

At present, social insurance, social aid and social welfare activities are carried out by different organizations and institutions. The social insurance system is made up of several organizations: The organizations for civil servants and workers' insurance has covered 15.9% of the economically active population in 1971. The newly established organization for the insurance of the self-employed (Bağ-Kur) is hoped to bring this rate to 28%. The target of the TFYP is to extend the coverage of the social insurance to all the wage earners and to 38% of the total working population by 1977.

During the forthcoming Plan periods, the aim is to merge gradually all of the social insurance organizations under one administration, starting with the harmonization of existing programmes. Besides, The Organization for Social Welfare Services (Sosyal Hizmetler Kurumu) is to be established in the TFYP period with a view to covering all of the social aid and social welfare programmes. Eventually, the social insurance and social welfare schemes are to be unified under one administrative body.

The expenditures for social security has accounted for 4.3% of the GNP in 1968. With the increase in coverage and with the inclusion of the funds for agricultural social security during the TFYP period, this ratio will be brought up to 7.0% by 1977.

IV.9.7. Health

The socialization programme will be spread to the two thirds of the country by the end of TFYP. By 1982, the programme will be further extended to cover the whole population with a health centre for every ten thousand and a health station for every three thousand people. A minimum standard of 26 beds for every ten thousand inhabitants will be adopted in every province, starting with the lowest rating province. Targets for health institutions are given in the Tables IV.38-39.

Table IV.38: TFYP Targets for Medical Treatment Institutions

(Additional Hospital Beds)

	1973	1974	1975	1976	1977	Total
General Hospitals + Mother and Child Care	1,500	1,500	1,500	1,500	1,500	7,500
Mental Health	700	700	700	700	700	3,500
Onchology Hospitals	500	500	500	500	500	2,500
Others	100	100	100	100	100	500
TOTAL	2,800	2,800	2,800	2,800	2,800	14,000

Table IV.39: Preventive Medical Centres to be Established During the TFYP Period

Provinces	Village Health Centre	City Health Centre	Health Station	Public Health Infirmaries
25 Provinces under Socialization	65	93	1,790	75
Ankara-İstanbul-İzmir	98	311	324	59
Yozgat,Tokat,Niğde,Sinop, Çorum,Kırşehir,Çankırı, Afyon,Kastamonu,Zonguldak, Bolu,Ordu,Uşak,Bilecik Amasya,Muğla,Konya,Samsun	719	116	2,402	69
TOTAL	882	520	4,516	203

During the TFYP period "Country Development Service" for the graduates of of higher education will be established. With the enforcement of this Service, the socialization programme will be extended to cover the three big metropoles of Turkey.

Hospitals which are attached to different Ministries an institutions will be managed through a single organization.

IV.9.8. Housing

The housing problem will be approached from the point of view of the city environment in accordance with the general settlement policy.

Under a long-range programme, housing units will be built in the quality and quantity in conformity with the future standards of living in Turkey.

To assure the construction of as many housing units as possible, efforts will be directed towards building social housing which suits the conditions in Turkey. Taking into account the considerable savings arising from mass construction instead of separate housing units, efforts will be made to promote large-scale housing schemes.

The construction of housing units which can meet the requirements of various income groups will be undertaken, especially through coopera ves and large-scale construction programmes. In this respect, priority will be given to the low income groups and the credit policy will be adjusted accordingly.

Financial resources will be increased by utilizing small savings that are not directed towards productive investments. To that end, measures will be taken to organize small savings in such a way as to make their most productive use possible.

To reduce the cost increasing effect of land acquisition and to prevent speculation, public control will be exercised over the expansion areas of cities. Public holdings of land will be increased to build industrial districts and to organize the systematic expansion of cities to meet the requirements of public organizations. Public land will be sold through a single organization in such a way as to support inexpensive housing construction.

Targets for the housing units to be built and the amounts to be invested during the TFYP are given in the Tables IV.40-41.

Table IV.40: Targets for the Housing Units to be Built During the TFYP Period

(Thousands)

Types	1973-1977
Urban Housing	**1,221.7**
- New Urban Housing	1,015.0
- Renewals Due to Changes in Function, Expropriations, Natural Disasters,etc.	76.0
- Prevention and Liquidation of Squatter Housing	130.7
Rural Housing	**443.0**
- New Rural Housing	31.0
- Renewals Due to Natural Disasters,etc.	392.0
- Pilot Rural Housing Project Implementation	20.0
TOTAL	**1,664.7**

Table IV.41: Housing Investments

(1971 Prices, TL.Million)

	FFYP (Actual)	SFYP (Estimate)	TFYP (Forecast)
Private Investments			41,806
Public Investments			2,202
- Public Contribution to the Amelioration, Prevention and Liquidation of Squatter Housing			1,132
- Public Contribution to Rural Housing			230
- Other			840
TOTAL	21,457	31,942 a/	44,008

a/ Provisional.

IV.9.9. The Problems of Villages and Peasants

The TFYP has two main objectives for the rural area and peasants. Firstly, the unequal distribution of the farm lands which is one of the reasons for the economic and social imbalances, will be improved through the Land and Agricultural Reform. This Reform aims not only at distributing farm lands to the families who are landless or whose lands are insufficient, but also at stepping up of agricultural productivity so as to raise the standard of living in the rural areas and to achieve the betterment of the income distribution. 1/

Secondly, the rural settlements will be improved during the TFYP period with the establishment of "Central Villages". The main objective of this polic, is to increase

1/ Cf. Chap.VI.2 on Land and Agricultural Reform.

the efficiency of public services for the rural areas and to provide benefits to greater number of villages from these services.

IV.9.10. Environmental Problems

Turkey faces quite a variety of environmental problems, most of which are the outcome of rapid change and development and a limited number of which are the problems originated from industrialization. Land erosion covers a large area and has serious economic consequences. Fast urbanization creates multi-dimensional environmental issues. Environmental health problems have not been effectively dealt with due to the insufficiency of means and facilities available to the Local Authorities. Air and water pollution are limited to certain localities at present.

Turkey's policy on environment is to take environmental problems into consideration without doing serious harm to economic development prospects. The Ministries, public and private institutions will carry out certain duties related to environmental problems. For the TFYP period, the State Planning Organization will be entrusted with the duty of coordinating the various activities of Ministries and institutions concerned with environmental issues.

PART V
POLICIES

V.1. FISCAL POLICY

V.1.1 Implementation During the Second Plan Period

During the Second Plan period considerable difficulties were encountered in the implementation of fiscal policy to reconcile achievement of development targets and stability. Public funds were insufficient to finance investment and other necessary expenditures. This, on the one hand, led to an expansionary effect of the public sector on the economy and on the other prohibited counteracting disequilibria outside the public sector through a proper budget policy.

From time to time investments and some current expenditures were cut back to alleviate demand pressures but effects of such measures were generally limited. It has not been possible to reduce public expenditures substantially because of their close connection with development efforts and the expensive public administration. Increases in the government wage bill created additional difficulties for the solution of this problem. This increase in the wage bill was necessary, but the fact that adjustments could not be spread over a period of time affected unfavourably both the checking of effective demand and realization of investments because public savings were reduced.

The public revenue system despite considerable increase in sources fell short of achieving long-term targets accompanied by price stability.

Taxes were more widely used as encouragement and directive measures for development during the Second Plan period than during preceding periods. This kind of implementation has been effective in directing investment and export activities according to predetermined priorities; however, it also became one of the factors increasing the revenue needs of the public sector, especially in the short-term. The inflexibility

of the tax system automatically to tax incremental increases in incomes and the tax system's narrow base coupled with financial failures of the SEE's resulted in frequent rate adjustments of some taxes or in squeezing Treasury sources.

The problems related to direct taxes are:

- insufficient taxation of agricultural incomes above the minimum allowance level.
- tax loopholes for some forms of income,
- and unnecessary exemption clauses. Moreover, a year's lag for payment of income and corporation taxes by individual declarers reduces the possibilities of direct taxation to influence the particular year's cyclical movements.

Indirect taxes have been concentrated on specific goods and services due to administrative conveniences. This had led to the exclusion of generally rapidly increasing branches of production and expenditures from the domain of indirect taxation. One major reason of low elasticity of indirect taxes has been the low substitution rate of domestic taxes for customs taxes lost because of import substitution. During the first half of the Second Plan period the taxation system could not accommodate the structural changes in production and imports; and whenever extra revenue was needed, resort was made to increasing the rates of traditional, easily administered indirect taxes.

With the 1970 stability program favorable adjustments were made in the taxation system and later in sales prices of SEE's. New taxes on speculative incomes were accepted; rates and coverage of some taxes were increased. These changes were generally favorable from a social justice viewpoint.

Both the adjustment raising the minimum subsistence allowance and allowing for lumpsum deductions from wages, plus exemption of certain income brackets from compulsory savings bonds have been favorable to low income groups. However, when money income as a result of price increases rose to higher taxable brackets, the tax burden on the same low income groups increased. The high rate of progressivity in the lower income brackets of the taxation system further increased this injustice.

Presently the taxation system still needs to be reformed to provide efficiency in raising revenues and to allow for flexibility so that clear preferences can be made according to the economic effects of individual taxes. The generally unbalanced distribution of expenditure taxes on the initial phase of production among sectors has an adverse effect on the direction of economic activity. Relations with the EEC requires reformulation of the tax system.

The system also retains its insufficiency in providing a more just distribution of the tax burden.

V.1.2. Aims and Principles

(1) Preventing and minimising the effects of cyclical movements that hamper plan implementation is a requirement for stable growth. During the plan period to control pressures resulting from use of scarce resources is important particularly from the viewpoint of the growth of export earnings and workers remittances and a successful reorganization of the financial system, among others. The short-term aim of fiscal policy, therefore, is to preserve the general stability of the economy.

Proper management of total demand consistent with cyclical movements calls for opportunities to intervene on time and with adequate tools. Annual programs for implementation of the plan provide a

suitable medium to evaluate the general situation of the economy in advance and to determine the necessary policy measures in a consistent way. During the TFYP period this characteristic of the annual programs will be made use of. Thus, if and when general stability is extremely disturbed or when signs of such instability appear, the possibility of diverging from long-term targets in one particular program year and, differing some variables from planned annual averages will be considered provided that measures are taken to compensate for such divergences in the following years. Such a case however, must not be used as an excuse to diverge from final targets envisaged in the Plan.

The use of fiscal tools of intervention (basically public revenue and expenditures) demands however more flexibility in implementation than now exists. Therefore,

(i) A system of expenditure priorities must be developed so that in times of inflationary pressure low priority expenditures can be limited, and immediate adjustments can be made in public expenditures without greatly diverging from basic long-term targets. Within this system it is especially important that expenditure cuts during the year do not adversely affect implementation of important projects and that product balance be given special consideration.

(ii) On the other hand, the system of public revenue must have flexibility in practice so that special revenue and expenditure related accounts can be adjusted to cyclical movements. To accomplish this aim incomes should be taxed during the year they are earned and the Council of Ministers should have the power to make immediate changes in tax rates.

(2) The long-term targets of fiscal policy are to increase resources required for development, to guide economic activity into certain directions and to compensate for social imbalances.

(i) As long as significant changes are not envisaged in income distribution total savings must be increased through means of the public sector. Savings, otherwise, have a limited chance to increase because of the low level of per capita income and the traditional preferences and habits. It has been envisaged that a specified level of savings will be realized by increasing the income elasticity of taxes and by improving the present tax system without resort to new taxes, and as a result of reorganisation of the SEE's allowing for their additional resources.

(ii) Taxes will be used as incentive or disincentive tools, for the purposes of increasing voluntary savings and exports as well as in chanelling investments to directions in line with the plan targets. The effectiveness of taxes in this context depends primarily on full application of the system and thus prevention of unforeseen tax lcopholes. Tax loopholes would also affect revenue. It is necessary to increase the efficiency of tax collection and auditing as well as to speed up the operation of the related judicial processes. The indirect tax system needs to be reformed to support priority economic aims. The value-added tax is especially significant in this regard. Taxation-created defects in resource allocation can be thus removed and the compensation for losses of customs revenues resulting from adherence to the EEC will be possible. In preparation of the value added tax the use of lumpsum payments will be kept to a minimum.

(iii) Public expenditures will be utilised to reduce income

differentials during the Plan period. A more just distribution of the tax burden will be achieved through an improvement of the tax system. The basic principle of tax policy, in this respect, is "taxation based on ability to pay" and no tax differentiation between equal incomes. In the reorganization of the tax system regressiveness in indirect taxes will be reduced through proper use of the value-added tax. The progressivity of income tax rates will be restructured, Tax losses which are a counteracting force to progressivity will be prevented. Moreover, the exemptions which causes the horizontal tax inequalities will be eliminated.

(iv) Other basic considerations are productive use of public resources and avoidance of expensive activities in the public administration. Therefore, a budget and control system will be developed that allows public consumption to be disciplined, that establishes clear cost relationships between targets and resources and that allows for a smooth functioning of budget implementation in the direction envisaged in the Plan and annual programmes.

V.1.3. Measures

(1) Tax exemptions and exceptions that seem to affect the flexibility of the tax system and injure social justice will be re-examined and those that do not need to be maintained for economic, social and financial considerations will be abolished.

(2) The matter of collecting income and corporation taxes during the year of earning will be examined and the feasibility of such a current year income tax collection will be investigated. This will be done in order to secure collections within a tax system that follows economic development and, at the same time, adapts to

cyclical movements.

(3) Attempts will be made to grant legal authority to the Council of Ministers to make immediate adjustments on tax rates with the aim of counteracting cyclical conditions in the short-run.

(4) Agricultural incomes will be taxed more effectively parallel to expected improvements envisaged in the agricultural sector during the Third Plan period.

(5) The steepness of progressivity in the income tax rates of lower and middle income brackets will be reduced. Tax loss arising from such adjustment will be compensated through other changes to be made within the system of taxes on income.

(6) The value-added tax will be introduced.

(7) The Turkish tax administration system needs to be re-organized so that taxation can be implemented effectively and be used as a policy tool in conformity with the aims of the plan. With the aim of building up an administration capable of applying a tax system efficiently, an organization which will take into account the technical characteristics of taxation and a continuous and efficient control mechanism, will be established.

(8) Necessary measures will be taken to apply the system of "detention at the source" more widely.

(9) Declarations of wealth will be used in a manner to secure auto-control.

(10) Necessary measures will be taken to secure more effective auto-control within the income tax system via the practice of "average profit rates".

(11) The Tax Procedures Law will be re-examined to prevent tax loss and examination of evidence will be based more on economic considerations.

(12) Time consuming steps of judicial procedures in financial dispute cases will be reduced.

(13) General Accounting and Bidding Laws will be amended to suit the needs of modern budget administration.

(14) Magnitudes of current public expenditures will be kept within limits determined by the Plan and annual programs and a sufficient level of "current expenditures for development" will be secured.

(15) Revolving Fund Agencies will be reorganized.

V.2. MONEY AND CREDIT POLICY

V.2.1. Developments Affecting Money-Credit and Deposits Policies

During the First and Second Plan periods monetary policy has been severely affected by the agricultural price support policy and the financial problems of the Treasury. Despite monetization of the economy and developments in industrial and agricultural production, financial policies adopted have aggravated inflationary trends from time to time.

When, in the First Plan period, required credit extension from the Central Bank to SEE's was abolished, the burden on the Central Bank was somewhat alleviated. However, present credit responsibilities of the Central Bank to support some agricultural products and to meet short-term Treasury needs have eroded the Central Bank's ability to influence the banking system in general.

Partly due to this reason, the Central Bank has been unable to properly utilize rediscounting as a policy tool. During the Second Plan period the Bank could not sufficiently intervene in the credit system through its other control means such as "legal reserves for deposits" and "credit rationing".

During the Second Plan period authority and responsibilities of the Central Bank were reorganized and extended.

At the end of the Second Plan period, the Central Bank's control over the credit system was further strengthened when a policy was established which requires at least 10 percent of the large banks' investment portfolio be in the form of medium-term credits.

Total bank credits were TL 11.8 billion at the end of 1963 and rose to TL 42.8 billion at the end of 1971.

In 1963, the service sector borrowed the highest share (23 percent) of total bank credits. Credits extended to this sector kept the same share during the Second Plan period; however, the share to the industry and mining sectors increased from 18 percent to 29 percent during two plan periods. During the same period, the share to the housing and construction sector fell.

Total bank deposits which were TL 10.5 billion in 1963 rose to TL. 21.0 billion in 1967. This increase kept its pace during the Second Plan period and rose to TL. 48.4 billion in 1971, a 130 percent increase from 1967.

The effect of more attractive interest rates on time deposits (deposits over one year) can be seen in the sizeable increase in time deposit levels.

At the end of 1971, 71 percent of total deposits were in the form of demand deposits and 29 percent in time deposits. Savings demand deposits accounted for 63 percent of total savings deposits. Of savings deposits, 64 percent were less than one thousand liras.

V.2.2. Money-Credt Policy

The general targets of money-credit policy are to provide the required financing of the economy without upsetting price stability, creating pressures on the balance of payments or encouraging unproductive activities. Also the reorganization necessary for a controlled and efficient functioning of the money-credit system will be implemented. Moreover, money and credit policy must be consistent with fiscal policy.

Credit policies will be implemented to channel personal and institutional savings to established financial institutions and encourage the utilization of savings to the type and amount of credit requirements of the economy.

A more balanced consideration of private sector(both agricultural and non-agricultural) and Treasury needs will be taken into account in determining the volume of money and credit supply.

Credit distribution, will be based on an evaluation of economic activity and will adhere to priorities in the Development Plan and annual programs. Differentiations will be based on principles of objectivity, generality, clarity and continuity.

Existing scattered credit funds administered by public agencies will be given to related banks and will be utilized according to general regulations to be determined within banking principles.

The discount policy of the Central Bank on commercial banks

will be made more effective towards increasing the opportunities whereby bank credits can be directed to priority sectors and regions stipulated in Development Plan and annual programs.

An interest rate policy aiming credits to be distributed through organized intermediaries will be adopted and the guarantee system will be organized.

On the other hand, it is very important for stable growth that private banks conduct their activities consistently and in coordination.

It is essential that the banks should encourage increases in savings and direct these savings to financial intermediaries, concentrating on the allocation of those funds to productive sectors.

The underlying principles of interest rate policy to be applied during the TFYP period are to direct resource allocation to the extent possible, to increase the savings rate, and allocate funds through financial intermediary institutions. The possibility of allowing a gradual freeing of bank interest rates for certain sectors will be explored during the Plan period.

When to decrease the cost of credit seems necessary, a subsidy policy will be implemented on a selective basis. This practice will be used in a limited number of sectors as an effective means of incentive and orientation. Definition and classification of interests and terms of bank deposits will be made clearer to make the implementation of money and credit policy and research easier.

In the case of specialized banks which are not authorized to accept deposits, especially the ones extending medium and long-term industrial credits, ways and means of determining interest rates by mutual agreement between the bank and the borrower will be sought.

V.2.3. Money and Credit System

Interest subsidies to be paid to the bank and the borrower will

be financed out of General Budget appropriations and the Selective Credit Fund at the Central Bank. Principles and rates related to the payment of interest differentials will be determined each year within the limits of the fund's sources and consistent with annual programs.

Inter- and intra- bank transactions (including the Central Bank) will be exempt from taxes and the flow of funds within the financial system will be made easier.

Taxation of interest on deposits will be reconsidered in order to prevent fragmentation of savings deposits.

Necessary measures will be taken so that money and credit statistics of the Central Bank will be published in the most suitable format and within the time period necessary for evaluation and research.

V.2.4. Credit Policies Pertaining to Industry, Agricultural Sector, Small Industry, Small Craftsmen and Traders, Housing and Tourism Sectors

Industrial Credit

(1) During the First and Second Plan periods significant changes were recorded in the characteristics and quantity of industrial credit as a result of investment expansion, increases in value added, the introduction of advanced industrial technology and the developments in internal and external conditions of competition.

Short-term credits of commercial banks are insufficient to meet the middle and long-term credit requirements of industry; thus chances for success of industrial undertakings, based on

relatively insufficient capital resources of individuals and family groups are decreased.

Especially during the Second Plan period a strong need was felt for more medium-term credit. Around the middle of the Plan period difficulties of meeting this requirement through the banking system forced enterprises to make use of the capital market. Toward the end of the period a relative slowdown was witnessed in capital market activities as a result of growth of medium-term industrial credit given by the banks (among other factors).

(2) With the enforcement of the new Central Bank Law during the Second Plan period rediscount advantages were recognized for middle-term industrialists' bills, special interest rates were determined to encourage medium-term credits and banks above a certain size were required to allocate ten percent of their loanable funds to middle-term credits. These measures gave initiative to commercial banks to make facilities available for project evaluation and follow-up on medium term credits.

Available funds of industrial investment and credit banks steadily increased during the First and Second Plan periods.

The lack of available medium and long term funds were a greater problem for entrepreneurs than was the interest rate, especially until the middle of the Second Plan period.

(3) Due to the Plan's emphasis on industrial development, credit to this sector has priority within the credit system. Measures related to industrial credits aim to meet the real medium term investment credit needs of the entrepreneur who invests in priority areas and regions in the development plan.

(4) Foreign exchange and TL sources of industrial investment and credit banks will be increased.

(5) A Development Bank will be established to supply industrial credit and especially to meet medium-term industrial investment credit requirements in priority development regions.

Agricultural Credit

(1) The basic problem of agricultural credit is that they are dependent on deposit increases and Central Bank Credits. In face of the obligation to finance government agricultural support policies and other social aims, sufficient sources cannot be found to extend credit for productive and market-oriented agricultural projects.

The burden on the Agricultural Bank of financing agricultural sales cooperatives has increased very fast during recent years. A part of this burden remains with the Bank but a large amount of it is transferred to the Central Bank and produces an expansionary effect on Central Bank credits.

(2) The priority consideration in agricultural credits is the encouragement of export-oriented agricultural and animal husbandry projects. In addition to agricultural investment activities based on projects, implementation of controlled agricultural credit will have importance .

The financial needs of chemical fertilizer and seed projects must largely be met by the producers with the rest financed by the Agricultural Bank.

(3) Rearranging repayment schedules of overdue agricultural debts will be useful.

(4) Credit activities related to the agricultural price support policy will be taken up as a whole and a system will be developed to solve the existing problems.

Credits for Small Industry, Artisans and Craftsmen

(1) Small artisans and craftsmen can make use of the commercial banking system to a certain extent depending on their professional activities. The same opportunity exists to a more limited extent for the small industrialist. This group can additionally benefit to a small extent from industrial investment and development banks credits.

(2) The major problem encountered by the People's Bank (Halk Bankası) is the policy of no differentiation between entrepreneurs whose credit requirements differ in character and volume. Effective credit utilization is constrained because credit allocation criteria used make no distinction between types of establishment, i.e., between manufacturing versus services, and within manufacturing between industry and crafts.

(3) From 1951 on both the number of and members in artisans cooperatives increased faster than their resources. This resulted in insufficient credit for professional performance and very small loans.

To solve the problems of artisans cooperatives the number of cooperatives and their partners should be programmed in relation to increases in financial sources of Halk Bankası; own resources of cooperatives should be increased at a faster rate; and manufacturers, small industrialists and artisans, and service workers should form separate cooperatives according to the nature of their professional activities.

(4) The "Bağ-Kur" Law No. 1479 which calls for depositing 25 percent of insurance reserves in the Halk Bankası provides a significant addition to resources. This source from "Bağ-Kur"

must be used only for medium-term operating and investment credits based on projects.

(5) Because of the existing facilities of Artisans' Cooperatives, of increasing administrative expenditures in credit cost and of the fact that opening of new branches did not increase deposits to a great extent, emphasis should be given to quality rather than quantity in the reorganization of Halk Bankası. The nature of credit activities of the Halk Bankası calls for strengthening the technical services of the Bank.

Housing Credit

(1) The Turkish Real Estate Credit Bank (T. Emlak Kredi Bankası) is the only banking institution specialized in extending housing credit . The most important problem of this bank is resource allocation. The Bank is under obligation to participate in various ventures. This condition affects the own-resources of the Bank and increases in housing credit have to be limited to increases in deposits.

(2) The facts that sales price of housing units indirectly built by the Bank funds (i.e., through a construction firm owned by the Bank) are lower than market value and that low interest rates are fixed on some credits adversely affect the development of the Bank's services.

(3) A consistent housing policy cannot be pursued due to scattered social housing funds and differences in credit conditions. Standards and costs differ in various construction projects for which credit has been extended.

(4) Therefore, all funds for housing construction will be pooled in the Real Estate Credit Bank and will be extended preferably for social housing projects under a standard set of conditions. Credit,

interest and maturity dates will be different according to sizes and standards of housing units.

(5) Construction built indirectly by the Bank (i.e. through a construction firm owned by the Bank) will be valued at market prices.

Tourism Credit

(1) Touristic management and investment responsibilities of the Tourism Bank besides its duty to extend credit to this sector forces the Bank to use its credit funds for operating touristic installations and for directly investing in them. This three-fold function prevents the Bank from being able to meet all credit needs of the tourism sector.

(2) Because the Bank cannot benefit from deposits, it has to rely on direct and indirect public funds. Since public funds do not increase steadily, the credit requirement of the tourism sector should largely met by the commercial, investment and development banks and the Tourism Bank should only supply the residual.

(3) The limited credit funds of the Tourism Bank will be used to meet the investment requirements for expanding the small capacities and operational credit requirements, which mostly lied outside the interests of the commercial banks and the need of the tourism institutions which qualifies for the priorities and general incentive conditions 1/

V.3. SAVINGS POLICY

V.3.1. Aims and Principles

An annual average 12.7 percent increase in savings has been

1/ See IV.7

envisaged during the Plan period. The targeted reduction in external savings necessitates a high enough rate of increase in domestic savings to compensate for the reduction. Therefore, it has been accepted that an annual average increase of 13.6 percent in domestic savings must be achieved and that the ratio of savings to GNP must be increased from 19.6 percent in 1972 to 25.4 percent in 1977.

The burden of increasing domestic savings will have to fall mainly on the public sector. Around 68 o/o of the increment in total domestic savings will be realized by this sector. To achieve the envisaged 18.9 o/o annual average increase in public savings, public disposable income have to rise about 12 o/o a year and public consumption has to be constrained.

The expected decrease in current account surplus (savings) of social security agencies (The Pension Fund, Social Insurance Association) during the Plan period will adversely affect the potential of public savings. The present public revenue system is incapable of generating the targeted amounts, therefore, reorganization to secure additional resources is necessary. With this purpose it is envisaged that the SEE should be reorganized and the source creating potential of these enterprises should be exploited. Since the revenue targets of the public sector takes into account the improvement to be obtained in the own resources (profit, depreciations and reserves) of these enterprises, reorganization of SEE's should be realized rapidly.

The increase in public expenditures will be kept at an annual average increase of 8 o/o. If the current expenditure is kept within this limit, the 63 percent of the increase in public disposable income will be saved.

An 8.5 percent annual average increase in private savings is expected. A major part of this increase will be generated by the foundations and associations established during the latter years of the Second Plan period. A net addition to total savings is expected from institutional savings. A part of increase in non-institutional private savings is expected from the households.

Financing of the Plan depends on a proper composition of investments, not only on increases in savings. To develop savings along this line, price stability should be maintained and the propensity to consume should be checked. Reorganization should be made to encourage voluntary savings.

The aims of the savings encouragement policy are (1) to increase household savings; (2) to increase the share of financial savings within the total at the expense of unproductive direct investments, and (3) to direct financial savings to less liquid assets.

This policy, accompanied with the institutional reorganization, will make funds available for long term investment credits and will satisfy the short and medium term external financing needs of the firms in the priority sectors.

Therefore, a reorganization is necessary to make financial assets available to suit the preferences of savers for either simplicity, liquidity, security and/or yield.

Until financial intermediaries are reorganizad, a suitable way will be found whereby long-term financial savings can be directly invested.

V.3.2. Measures

(1) The structure of production and imports should not increase the propensity to consume. Sales of durable consumption

goods on credit will be regulated so as not to encourage excess domestic consumption.

(2) Institutional savings in the private sector will be encouraged to increase.

(3) The reorganization of the banking system will also aim to attract foreign exchange savings of Turkish workers from European to Turkish banks.

(4) The public sector will extend the necessary assistance so that workers' remittances are saved and directed to new investments. Two short-term problems in this field are: (i) the tendency of remittances to be invested in scattered, unproductive investments, and (ii) the demand these transfers of foreign exchange create on residential construction. A more effective implementation as to investment field and size, and project preparation will be realized especially in relation to investments in rural areas via village development cooperatives. To solve the problems of housing demand of workers abroad, land allocation for social housing, construction plans and standards will be put under control as a whole.

(5) In case limitations prohibit direct investment of workers' savings from abroad, these funds will be encouraged to be used by financial intermediaries. Institutions will be established to help the workers to purchase shares and other financial assets with their savings.

(6) Bonds will be issued against foreign exchange by the State Investment Bank in the name of the Treasury. The proceeds will be used for foreign exchange requirements of productive investments of SEE's.

(7) A system will be established to encourage sales of shares by private corporations to Turkish citizens abroad against foreign exchange.

(8) The capital market will be established to increase voluntary savings. The interests of holders of small equities will be carefully protected.

V.4 POLICY FOR EXTERNAL ECONOMIC RELATIONS

V.4.1. Principles

Policies for external economic relations which will be implemented during the Third Plan period are based on the following basic principles:

(1) To diversify and increase exports rapidly;

(2) To manufacture industrial goods at costs so that they can favorably compete with those of other nations.

(3) To plan imports by using various means (foreign exchange and trade regimes, customs tariffs and the like), taking into consideration the requirements of industrialization, advanced technology, domestic savings, price stability and Turkey's commitments to the EEC; thus, preventing bottlenecks of investment goods and raw materials. Following are additional basic principles which will be the base for policies to be implemented in the Third and subsequent Plan periods:

(4) To reconcile Additional Protocol obligations with long-range development objectives to ensure that EEC relationships do not prevent Turkey from achieving its long-range objectives and targets.

(5) To make the optimum use of all the means provided by the Ankara Agreement; to generate an atmosphere which will not hinder Turkey's development (through industrialization) in the scheduled manner and speed;

(6) To provide flexibility in Turkey's commitments to enable Turkey to ensure effective utilization of planning tools during the Third and Fourth Plan period.

(7) To take measures, when necessary, to realize industrialization in the planned pattern and speed.

V.4.2.Export Policy

The export target set out for the TFYP period requires a more rapid pace in increasing exports than was realized in the previous Plan period. As the possibilities to increase the export of traditional crops is limited, the increase in total exports will depend upon the diversification of exports and the increase ratio of industrial goods, in particular, to the total amount. However, under present circumstances, to establish export-oriented industries in Turkey is possible only for certain fields which depend upon natural resources and agriculture, such as forestry and mining. Generally, it is necessary to manufacture industrial goods for the domestic market and to attain the cost and quality standards which meet the requirements of the foreign market before these industrial products can be introduced to the foreign market. For this reason, at the present stage of industrialization in Turkey, it is not possible to make a distinction between export-oriented industry and import substituting industries . Therefore, the policies to encourage exports and to substitute imports are not considered as alternatives but they are considered complementary policies.

A policy, which will facilitate tax return procedures and ensure assistance to widen the foreign markets, will be adopted in order to increase rapidly in the Third Plan period and to change the export structure in favor of industrial products.

V.4.3. Import Policy

The import needs stemming from the present production structure to attain the targets set out in the Third Plan period cannot be met with the foreign exchange earnings estimates of the alternative projections. Therefore, it is necessary to establish some intermediate and investment goods industries in order to ensure continued increase in production in line with the plan targets. It is also necessary to increase vertical integration in the structure of production in addition to export promotion and thus benefit from the effects of these types of industries that add dynamism to the economy and enhance development potentiality. For this reason, emphasis will be placed upon the import substituting policy in iron-steel, chemical, machinery manufacture, metal products and vehicle sectors in the Third Plan period. In implementing import substitution policy, priorities will be given to projects which will be competitive with those of other nations. Thus export potentiality will be expanded through diversification in the subsequent periods.

In the Third Plan period, imports will be arranged in conformity with industrialization, modern technology, domestic savings, and price stability. However, planning imports will be affected by Turkey's commitments towards the EEC in the Third Plan period. As the Temporary Agreement consisting of the commercial provisions of the Additional Protocol was effective as of September 1,1971, Turkey started implementing the 35 o/o consolidated liberalisation

and made the first reduction on customs and similar duties . 1/

Assuming that the provisions of the Additional Protocol will be effective in 1973, the consolidated liberalization ratio in 1975 will reach 40 o/o of the private imports from EEC in 1967, the reduction on customs and similar duties of the imports in the 12- year list will reach 30 o/o following the second reduction in 1975, and the third one in 1977. The reductions of the 22-year schedule will start with 5 o/o and will reach to 10 o/o after the second reduction in 1975. Furthermore, in the import of the items which are not liberalized, there is a commitment to have EEC quotas and to increase these in intervals and amounts as prescribed in the Additional Protocol. Obligations of the Additional Protocol pertaining to adopting common customs tariffs on a 12-year schedule will start in the Third Plan period. The common customs tariffs will be applied in 1976 for products if the custom duty rates actually applied to the third countries by Turkey when the Additional Protocol is signed, does not show a greater difference than 15 o/o from the rates in the common customs tariff. Otherwise, Turkey will apply custom duty rates which will reduce the difference between the Turkish customs rate applied and the rate of the common customs tariff at the time when the Protocol is signed by 20 o/o.

When the effects of the custom duty reductions on the 12-year list are considered together with the articles about the consolidated liberalization and quotas enlargement, it will be seen that the industries in the 12-year list will be open to competition with Europe much sooner than was envisaged. Predetermination of industries to compete in world markets in the short-run may limit the

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1/ The actual liberalization ratio for 1971 imports was 45 o/o.

the investment choices in the private sector. The safety clauses do not provide a solution to this problem, since it is not known from to-day to what extent and for which section those clauses can be used. If problems are encountered, resorting to safety clauses of the Additional Protocol is possible but it provides protection only for the "existing" industry to some extent. A certain degree of flexibility should be brought into the implementation of the Additional Protocol so that industrialization can be directed to the Plan targets.

V.4.4. Invisible Transactions

Necessary efforts will be made to increase revenues from invisible transactions during the Third Plan period. Maintaining and increasing the high level of the workers' remittances which has the biggest share in the invisible earnings and to raise tourism revenues and shipping revenues will be emphasized. The increase in revenues from shipping will be realized by reaching the target growth in the Turkish commercial fleet to reach a capacity to transport 50 percent of the country's foreign trade by 1977. (Utilization of the savings of workers abroad has been included in the "savings policy" and policies related to increasing tourism revenues have been mentioned in Chap. IV.7.)

V.4.5. Foreign Credits

As the credits in the "Pipeline", and the commitments made and expected to be made for the Third Plan period are already high, the importance of additional credit commitments during this period decreases. An increase is expected in the share of international institutions within total project credits to be received. Efforts will be made to secure more flexibility in the use of tied-credits. In case of private firms' credits the following will be considered:

- that these credits are directed to priority investments,

- that they bring new technology or contribute to technological improvements.

- that their conditions are the same with the terms of the commercial credits of the world credit market.

V.4.6. Private Foreign Capital

Results of the implementation of the Law no 6224 - "Encouragement of Foreign Capital" - have not been up to expectations. In the period 1963-1970 the actual inflow of foreign private capital was 38 percent of total authorized capital. Moreover, 43 percent of actual foreign private investment is concentrated in the pharmaceutical and rubber industries.

The basic factors to be considered in authorizing investments under Law 6224 of Foreign Capital Encouragement are listed below:

(1) It will be essential for foreign capital to bring in domestically unavailable technology. In export-oriented projects, this criterion will be applied less rigidly.

(2) Such investments will have the capacity suitable for international competition.

(3) Investment permissions will be given to projects with specifically defined characteristics and firm's activities will be well defined.

(4) To export will be a precondition to the extent possible.

(5) Investment permissions will be valid for specified periods.

(6) In joint foreign-domestic ventures, payments to the foreign partner, for rights such as patents and royalties will be in the ratio of the domestic partner's share.

(7) Foreign capital will not be allowed to form a monopoly in any one branch of production. In areas presently under foreign monopoly, firms with major domestic ownership will be encouraged.

(8) In the pharmaceutical industry foreign investment will be allowed in the chemical industry to make raw materials for fine chemicals on the condition that development of domestic industry is not obstructed. No investment of new foreign capital will be allowed in the production of final pharmaceutical products. Production of foreign-owned firms will be discouraged in areas where domestic firms meet the demand sufficiently.

(9) Foreign capital investment in the tourism sector will be allowed in areas for which physical plans have been completed and for mass foreign tourism. Ownership of the completed installations cannot be transferred to foreign firms.

(10) When foreigners are given permits to work for these firms they will be considered as temporary residents who will be expected to train Turkish personnel to replace them.

V.4.7. Foreign Exchange Reserves

Despite developments during the last years of the Second Plan, gold and foreign exchange reserves are not much in excess of current needs. On the other hand, implementation of an economically advantageous debt policy is closely related to the existence of a certain capacity to repay debts. The level of present gold and foreign exchange reserves need to be increased when debt servicing to be undertaken by the end of the Fifth Plan (1987) is considered. This prohibits a continuous freedom in using these reserves for imports of consumption goods. However, during the Third Plan period foreign exchange reserves may be used to import competitive products to improve productivity, dynamism and technical development in industries working with high profit margins.

Measures necessitated by the foreign economic policies are listed below:

(1) Tax rebates on exports will continue

(2) Export credit and insurance will be developed to encourage exports.

(3) Exporting SEE's will be organized to reach the targets envisaged in the annual programs.

(4) Public agencies will help the private sector in their export-oriented activities, in project preparation, project evaluation, choice and transfer of technology, etc.

(5) Import lists will be prepared so that material needs of the economy are met to ensure development according to Plan priorities and targets.

(6) Considering the priority given to the production of investment and intermediate goods in import substitution/necessary steps will be taken to protect these industries and to encourage export-oriented ones. In case basic inputs of these industries are not domestically produced, their import will be made easy and without limitations.

(7) Import of goods not produced domestically and does not have an important share in total imports will be regulated to prevent monopolies and excess profits.

(8) In case of industries that operate with high profits competitve imports will be used both to regulate the market and to encourage productivity increase.

(9) All the means of the Ankara Agreement will be fully used and flexibility will be brought into the implementation of the Additional Protocol to be able to use the planning tools effectively during the

Third Five Year Plan . Turkey will take the necessary measures to realize industrialization at the rate and pattern foreseen in the Plan.

(10) Foreign economic relations with bilateral agreement countries will be developed on the basis of world market prices and currency convertibility as much as possible.

(11) Attempts will be made to establish a "Foreign Trade Office" to handle commercial transactions with countries whose foreign trade is administered by the state.

(12) Relationships with the RCD countries will be developed in line with the Third Plan targets in commerce, industry, tourism, and transportation and communication.

(13) In case problems and delays develop in obtaining foreign credit, foreign exchange needs of investment projects for which timing is important will be met from foreign exchange reserves.

V.5. INVESTMENT AND TECHNOLOGICAL POLICIES

V.5.1 Investment Priorities Within Sectors

(1) In programming the investments within the agricultural sector, it was intended to give the first priority to the investments which would reduce the dependence of this sector on climatic conditions and which would regulate the production. For this reason, stress is on investments which will increase irrigated land area, and on an irrigation development which will result in more efficient utilization of the existing irrigation network to influence agricultural production in the short run. Moreover, with regard to the agricultural investments, priority will be given to those in the branches of production which provide raw material for industry and to those which will increase the production in such fields as cattle-breeding, fishing, fruit and vegetable cultivation which, besides responding to the needs for nutrition, are also closely related to the development of exports.

(2) The investments in the field of mining will be directed especially to the exploration and production of metals which would supply the inputs needed in manufacture and energy in which fast developments are being expected and would contribute to the increase of exports.

(3) Generally, the investments for the manufacturing industries are considered within three subsectors, consumer goods, intermediate goods and investment goods. With regard to the investments concerning the industries producing consumer goods, priorities are recognized to those which would contribute to the establishment of the capacities adequate to meet the normal development in the domestic demand and to those oriented towards exports. With regard to the industries producing intermediate goods, investment priorities are given to the subjects which will increase the present plant sizes to optimal capacities, reduce the production costs , increase productivity and secure import substitution. The developments to be realized in the industries producing investment goods possess high priority. The establishment and the development of the industries producing investment goods were deemed necessary to overcome short-falls observed in the branches of this industry in the

Second Five Year Plan, for securing a structural change in the economy, and for realizing a high level of income and production.

(4) The investments in the field of energy are so figured as to prevent the scarcity of energy from becoming a bottleneck in the coming years and especially to comply with the requirements of a rapid industrialization. Therefore, priority is given in this field to the investments aimed at the construction of hydro-electric and thermal power plants and the expansion of the existing ones, besides those to be allocated to the expansion of the transmission and distribution networks, and to the utilization of the domestic geothermal potential and of natural gasses. On the other hand, the entry to the nuclear technology was also deemed useful to meet the energy requirements during the perspective plan.

(5) The investments in the communications sector are considered at a level parallel to the developments in the economy as a whole. The construction of unnecessary infrastructural facilities will be avoided in this field and priority will be given to the investments which will meet on time and with the minimum cost the infrastructural requirements for development. Necessary care will be taken to prevent the creation of bottlenecks.

(6) The investments in the tourism sector will be concentrated primarily in the regions which are most frequented by tourists, but without creating excess capacities. Investment towards other regions will be developed parallel with the stream of tourists. Moreover, investments which are aimed at the preservation of historical places will receive priority.

(7) The investments in the field of housing, of education, of health and other public services are so earmarked as to meet the requirements of development. The private sector investments in housing which could not be adequately controlled in the previous plans will be channeled to priority sectors. In the field of education, besides the investments in formal education, due priorities will be given to the investments for informal education designed to meet the requirements

of the developing industry for skilled manpower. Investments in health services designed to improve environmental health and to develop preventive health service will have priority.

It was deemed proper that the needs in the other fields of public services be determined within the frame of the master plans and that such demands be met without deviating from the ultimate goal of industrialization.

V.5.2
Principles Concerning Implementation

(1) The basic principle governing the preparation and the implementation of the investment programs is the creation of the capacities which would ensure the realization of the physical production targets which are fixed for the period of the Third Five Year Plan and the subsequent periods. The yearly portions of the investments can be adjusted in the annual programs in accordance with the conjunctural conditions and the opportunities which would arise in the course of the implementation. However, in making such adjustments no reduction should be made in the yearly allocations of investment to basic industrial projects (such as iron-steel and metallurgy, chemicals, petrochemicals, machinery, energy production, etc.) which are important to industrialization and the delay of which would create serious bottlenecks in the economy.

(2) In the preparation and the implementation of the annual investment programs, the first priority will be given to the investments designed to eliminate the bottlenecks in production of basic intermediate goods and raw materials.

(3) The completion and entering into production of projects carried over to the Third Five Year Plan will be given preference in program to new projects which would unnecessarily prolong the gestation periods of such projects.

V.5.3 Technological Policy

(1) The application of advanced technologies is deemed indispensable for the realization of a rapid development needed to reach the level of contemporary civilization.

(2) In the fields where foreign competition from the point of view of production cost and quality is great, especially in the chemical, petro-chemical, machinery, metal products & non-ferrous metals industries, the use of the most advanced technologies becomes fundamental. Whereas with regard to the subjects in which certain differences in the quality of the product are acceptable and where the production process itself is labor intensive such as in shipbuilding, construction, electronics, forest products, land and waterworks, labor intensive production technologies will be used.

(3) In deciding the technologies to be used, special attention must be paid to the selection of those which will best respond to the needs of the country, which will comply with the priorities of the Plan, which will contribute to the improvement of the living standard, and which are complementary to the existing technologies and enhance their level.

(4) From the point of view of the transfer of technologies, the utilization of the imported technologies in the most effective manner is fundamental. For this reason, the adaptability of the imported technologies to the conditions of the country must be taken into consideration.

(5) The possibilities for the utilization of the imported technologies in a certain branch of production by other enterprises in the branch of production concerned shall be examined. The import of different patents for similar technologies shall be avoided.

(6) A continous relationship shall be established between the imported technologies and the domestic research-development activities. The

scientific infrastructural sufficiency will be secured in order to adapt rapidly changing technologies to the environmental conditions and to follow up and evaluate their development.

(7) The avoidance of provisions imposing any hindrance or limitation to exports shall be essential in the conclusion of license agreements.

(8) The research+development activities aimed at domestic production of technology shall be conducted in compliance with the targets and the aims of the plan. Research+development investments and expenditures shall be directed accordingly.

(9) Coordination will be secured between the existing domestic research+development units producing technologies and those to be established. Activities of these units shall be rendered more efficient.

(10) Both public and private domestic engineering and project services shall be encouraged to support domestic production of technology.

V.5.4. Public Entrepreneurship Policies

The policies to be applied with regard to the public entrepreneurship are mentioned in the section pertaining to the organization of the public economic enterprises.

V.6. ENCOURAGEMENT AND GUIDANCE POLICY

An encouragement and guidance policy is an effective tool of implementation which complies with the guiding function of the Plan with regard to the private sector. The objective of this policy is to make use of the contribution of the private sector within the frame of the principles of mixed economy and in the direction of the general development strategy, as well as to increase this contribution in the course of time.

The encouragement policy is essentially designed to compensate for some deficiencies of the price mechanism affecting development requirements. It also provides for the regulation of economic activities within the market system by increasing commercial profitability in the desired fields, by decreasing the risks and by securing the flow of investment resources into these fields in adequate amounts and qualities.

The encouragement and guidance policy to be applied during the TYFP period is determined by taking into consideration the objective of development through industrialization and the necessity of acquiring the capacity to compete.

The principles governing the policy of encouragement and guidance are the following:

(1) The encouragement system to be applied to investments has the purpose of improving foreign exchange earnings, of increasing exports of industrial goods, of increasing employment opportunities and enhancing the technological level. As a basic principle, it must be directed towards domestic enterprises, must be objective, must be based on the declaration of the enterprises which will profit from it and be a self-functioning mechanism with restraining administrative interference in unusual circumstances.

(2) The direct allocation of funds to the enterprises is not foreseen in the application of the encouragement policies.

(3) In the encouragement practices no discrimination will be made between the already established industries and those to be established, or between the private and public sectors.

(4) The encouragement and guidance policy shall be determined and applied as a whole within the frame of the principles to be introduced both by the development plan and by the annual programs.

Any peacemeal change in policy which will distort the system of encouragement will not be made.

In the encouragement and guidance practices, the relative priorities, the criteria and the tools of encouragement and guidance will be clearly defined,

V.7 THE COUNTRYWIDE EXPANSION OF THE INDUSTRY

The general policies which should be followed in the distribution of the investments are defined above. Together with these general policies, stress was laid on the necessity of countrywide expansion of industry in accordance with the objectives of the Plan. Special policies have been foreseen.

The long-term objective of eliminating the differences between regional development[1] requires that special importance be given to the development of priority regions within the frame of the Third Plan. Priority regions should be given a share from industrialization at least in the proportion of their existing potentials and resources. The attainment of this objective would allow for a significant contribution of the priority regions to other long term objectives of national development.

The objective of expanding industrialization in a manner which would encompass the underdeveloped regions is also deemed indispensable in order to eliminate in the long term the differences of regional development as well as to develop a balanced and functional pattern of settlement and urbanization.

1/ See Subsection dealing with "Long Term Objectives - Industrialisation" in the original text, p.122.

The following considerations are made to preserve the integrity of the national plan in the determination of the industries to be directed towards the regions with priority for development and in the selection and distribution of the relative investment projects among these sectors: (1) the change in the industrial structure foreseen within the New Strategy, (2) the sectoral relations, production targets and priorities, and (3) the infrastructural requirements for long-term development. Stress is laid on (1) the increase in value of natural resources, (2) the creation of long-term marketing possibilities by the preservation of the products of the agricultural and food industries, (3) the production of goods which are at present imported and the domestic production of which is deemed in compliance with the national interests and assessed from the point of view of Turkey's trade relations with foreign countries and especially with the member countries of the EEC, (4) the evaluation of the by products and the surplus products of the existing industries, (5) the attainment of an economical size of existing establishments and their integration, (6) the necessity of meeting the regional demands for manufactured goods, and (7) the creation of export possibilities which form as a whole the economic factors which render possible the best use of the regional development potential. However, in the preparation of some investment projects, social benefit was also taken into consideration; at times it has become necessary to give more weight to this factor.

Although important sums have been spent for this purpose, some of the projects to be carried out in the underdeveloped provinces have already begun. For instance, in the sector of mining, the Hasan Çelebi iron ore mining project (Malatya), the Elbistan-Afşin coal mining project (Maraş), the Mazıdağ phosphate mining project (Mardin) and the Divriği iron ore mining project (Sivas) are among the investments which are part of this program. Other major investment projects actually included in the program consist of the Bitlis cigarette factory and the Van meat processing complex as part of the food-alcoholic drinks- tobacco group of the manufacturing industries; the expansion projects of the Adıyaman, Erzincan, Maraş factories

and the construction project of the Diyarbakır factory in the textile industries.

Again in the sector of mining and metallurgy, such projects as the electrolytic copper, copper rolling mill, the pyrite concentrate, the copper concentrate, the lead-zinc-copper, asphaltite, antimony-volfram concentrate, the lead-zinc-silver concentrate, metal smelting and lignite mining will be undertaken during the period of the Third Plan in the regions where these resources are located.

The investments in the field of manufacturing industries which will be directed towards the regions with development priority include such projects as meat processing, fodder, sugar, raisin processing, flour, macaroni, semolina, candy, chocolate, cheese-butter, vegetable oil production in the subsector of food, alcoholic drinks, tobacco; the leather and shoe industries, and cold storage which would provide for the increase in value of the natural resources, long-term preservation of the agricultural and food industries products and better marketing possibilities. The forest products industries, the craft cellulose, semi-chemical cellulose and hay cellulose projects and the projects for expansion of the existing plants in paper industries will be considered. In the textile and clothing industries, mohair and wool processing, the production of hand woven and factory-made carpets and various textiles are the projects which will be given special importance in the underdeveloped regions. Cement, rubber and plastic processing industries and several commodities and parts classified under machinery-producing sectors will be the subject of major investment projects. Constant efforts will be spent to develop further and increase the number of the above mentioned investment projects during the phase of implementation of the Plan.

These investment projects for various regions will be realized by the public sector or under its guidance. Moreover, the encouragement measures which would facilitate and enhance the orientation of the private investments towards these sectors are also provided for.

V.8. PRICE, WAGE and COMMERCIAL POLICIES

V.8.1 Price and Wage Policy

The stability of general price level in accordance with the development strategy, and to make use of the prices as an efficient means of regulating the production, demand and distribution of resources are the two main objectives of the price policy in the TYFP period.

To prevent the disturbing tendencies from the demand side on general price level and to secure the overall supply-demand equilibrium with a reasonable and stable price level will be achieved with a balanced money-credit, finance and domestic and foreign commerce policy. For this purpose, especially the determination of the amount and composition of public expenditures will be made flexible in the short-run.

In order to preserve balanced prices, with the controls over excessive demand and cost increases, the monetary incomes also must be in line with total productivity increases.

From the cost point of view, the three main problems can be summarized as follows:

(1) Deficiencies in the market structure, especially the restrictions in foreign trade preclude competition and cause high profit margins and excessive prices. Therefore, to prevent inflation, on one hand, consumers and producers will be encouraged to become organized; on the other hand, monopolization through import possibilities will be controlled. (The measures to be taken are mentioned in the commerce policy section below).

(2) The general economic balance is affected by low productivity in SEE's activities and expenditures. Effectiveness and productivity increases in the SEE's will be achieved by re-organization.
(3) In imperfectly competitive conditions, money wage increases may not fully be translated into real terms due to the rising prices. Yet, this brings about an inflationary pressure, the control of which requires economic sacrifices. In carrying out wage policy, productivity increases at macro- and sectoral level and the current price increases will be taken into account. Productivity criteria will be used flexibly in determining minimum wages and rearranging the wages in relatively less developed sections of the economy.

The market structure, through the mechanism of relative price changes should balance overall demand, production, and resource allocation. However, whenever the price mechanism is not sufficient, as far as the development targets are concerned, encouragement-discouragement measures or public enterpreneurship will be used to aid the mechanism.

If the necessary goods and services cannot be produced within the existing market structure, either the private sector will be encouraged or the public sector will intervene.

On the other hand, for some products, production increases will be encouraged by certain methods other than relative price increases. In cases where the demand is not desired to cut down and where the price rises are likely to cause cost inflation in the prices of basic products and widely consumed goods, the bottlenecks and price rises will be prevented where any disturbance of the balance conflicts with the plan targets. For this aim, the volume of production will be stepped up by taxing schemes, low price inputs which will be subsidized by the Government, use of public enterprises,etc. In case of serious shortages, recourse will also be made to imports. In those situations where neither production increases nor imports,for whatever reason, cannot meet demand, prices will be freed. But if under the circumstances, free

competition is violated, then necessary measures will be taken and certain responsibilities will be given to the private sector, in accordance with the policies mentioned in the Section V.8.3. below. In principle, the prices of goods and services produced by the public sector will be arranged in accordance with demand; low prices which will not benefit the final consumers or will cause the creation of a second market will be avoided. Whenever the shortage in supplies can be meet in a short time period, controls on distribution will be used instead of higher prices .

SEEs which have the function of "regulating consumption" can only accomplish their aims as far as the removal of excess trade margins arising from mismanagement in the market. They must also supply goods at least at a price equal to cost.

V.8.2. Agricultural Support Policy

Compared with other prices, the sensitivity of agricultural prices is generally higher, due to the fact that production mostly depends on weather conditions and can not be controlled by the producers. Thus agricultural incomes exhibit great fluctuation.

Price increases in agricultural products may cause inflationary pressures in the economy and reduce competitiveness on foreign markets, since agricultural production plays an important role on the consumption of lower-middle income groups, inputs of the industry, and export goods.

Due to organizational deficiencies, the fluctuation in the prices of these goods becomes beneficial to the middlemen rather than to the producers or consumers.

Because of these characteristics of agricultural prices and the importance of agricultural production in the economy, a price support policy has become a necessity.

The aim of the price support policy is to stabilize agricultural prices and incomes, to facilitate marketing and to increase the yields in accordance with the characteristics of the arable land and the needs of domestic-foreign markets.

(1) Low price inputs, extension services, necessary credits, which will effect production directly, and other necessary measures will be taken for the crops which are being encouraged.

(2) The policy will cover the crops which make up a sizable part of agricultural production and where demand conditions are appropriate; but widespread use of this policy for a great number of crops will be avoided. For some supported crops, which have stock problems due to limited demand, alternative production patterns will be encouraged and the support slowly abandoned. For this purpose, possibilities of a direct subsidy from the budget for their non-production will be explored.

(3) Price of the exported crops will be determined taking external prices into account.

(4) The supported crops should meet certain quality conditions.

(5) Compared with other crops, certain advantages will be given to the encouraged crops via price determination.

(6) In accordance with the crop characteristics, support prices will be announced either before sowing or harvesting.

(7) In determining the prices, it is possible to have some sensible balance between agricultural and non-agricultural prices. But, the effect of excess price increases as an inflationary pressure and on income distribution in favor of big producers (instead of the needy small farmers) will be kept in mind.

(8) Losses to the organizations which are reponsible for purchasing support products, will be paid from the budget in time.

V.8.3. Commercial Policy

(1) The aim of the domestic commerce policy is to improve commercial channels, (with no detrimental effect on export and domestic demand) especially in line with the increase in industrial production; and productivity increase in the commercial services.

(2) The basic principle of commercial policy is free competition.

(3) Credit, insurance, storage and transportation services will rather be carried out by organized institutions in order to improve the effectiveness of marketing channels so as to reduce the cost of intermediary services.

(4) Measures will be taken to prevent the fragmentation of commercial intermediaries so that the cost of services will not rise.

(5) Public organizations will enter directly or indirectly into the commerce services whenever it is beneficial for the public.

(6) Public organizations will take necessary measures against the obstacles in commercial channels and the factors which causes excessive increases on the final prices.

The Ministry of Industry and Technology and Ministry of Commerce will be given responsibility to control on a continuous basis the false advertisement and propaganda, certain prized sales and other misleading sales which cause additional burden on the consumer and push prices up.

Public organizations are responsible to control establishments which practice market controls through non-competitive marketing, control over price or quality, lowering quality and other similar arrangements which are detrimental to the consumers.

(7) The establishments may have to be asked to justify their price increases if they are recipients of any encouragement or appropriation from the public for their investments or production and if they have an important share in the domestic market.

(8) For the products which may affect the large consumer group, the

producing enterprises may be asked to publicize the factory cost, factory sales and retail sale prices if the enterprise accounts more than 20 percent of the domestic demand.

(9) In the domestic market, large stores and cooperative sales organisations will be encouraged.

(10) As mentioned in the agricultural sector, demand on meat and other livestock products has become an important problem during the plan period. Therefore livestock growers and cooperatives will be encouraged to unite as "Livestock growers' unions".

(11) There is need for a judiciary rearrangement to be able to apply the commerce policy as a whole and to carry out the encouragements and controls.

(12) The full use of the Central Bank's legal authorities and responsibilities are essential for organising installment sales, consumption policy, credit policy and price policy from the consumers' point of view.

(13) For the protection of consumers, voluntary consumer organizations will be enpouraged.

(14) In an effort to eventually establish quality controls, technical services will be organized to establish standardization controls and certification on industrial intermediary goods and major consumer items.

(15) A "Special National Price and Wage Commission" will be established for the coordination of price stability measures and, whenever necessary, to prepare drafts for economic and administrative decisions to be submitted to the Council of Ministers through the High Planning Commission.

V.9. ECONOMIC AND FINANCIAL INSTITUTIONS POLICY

V.9.1. Plan Period Developments in Financial and Semi-Financial Institutions

One of the developments attained in the monetary institutions under the financial institutions sector during the Second Five Year Plan period, concern the enforcement of the new law of the Central Bank at the beginning of 1970.

Increase in the number of branch offices of banks also bears a great importance during the plan period. The number of branch offices of banks which were 1840 in 1963 rose to 3427 by the end of 1971.

Intermediary activities related to financial assets initiated by banks, and particularly by investment and credit banks represent a favourable development in this field.

Activities in the capital market indicated the importance of the stock exchanges for the economy. Limited facilities of the single stock exchange operating under the provisions of a law enacted in 1929, has indispensably forced out to other fields the increasing number of transactions related to the stock exchange.

During the Second Five Year Plan period, two large organizations i.e., Bağ-Kur, and Civil Servants Mutual Assistance Organization have been added to the existing semi-financial institutions such as the Pension Fund, Social Insurance Organization, and Army Mutual Assistance Organization.

The expansion of the scope of the compulsory insurance and pension organizations over and above their actuarial capabilities, on the other hand, has caused the creation of certain problems.

V.9.2 Commercial Banks

Merging of banks towards reducing their fixed service costs will be supported.

Considering their favourable contribution in meeting the short-term finance needs of the parent organizations and in carrying out banking services, banking sections of the Maritime Bank, Etibank and Sümerbank will be expanded.

Banks having a Treasury share shall not have investment responsibilities imposed on them in fields which are not directly related to their functions.

V.9.3. Other Financial Institutions

(1) Investment, Development and Specialized Banks:

Project evaluation and follow-up services of the State Investment Bank shall be developed towards assisting for the project preparation activities of the State Economic Enterprises.

Specialized banks which fail to make use of additional savings potential and which depend solely upon public funds will not be established.

Foundation of competent specialized banks aimed at making use of personal and institutional savings of the private sector, shall be encouraged.

A Development Bank having the status of an autonomous legal entity and operating under the provisions of a Special Law shall be founded and assigned the responsibilities for financing the private sector investments, making better use of workers' savings and directing them towards investments, encouraging the investments in regions of higher priority, promoting an export credit system, and developing the capital market.

(2) Credit cooperatives and credit guarantee cooperatives:

With a view to reducing the weight of the administrative expenses on the price of credit, amalgamation of the Agricultural Credit Cooperatives will be encouraged.

Development of artisanal credit guarantee cooperatives in a way to form separate specialized organizations for businessmen, tradesmen and artisans, shall be encouraged.

Cooperatives to be set up by tradesmen and artisans making investments and operating in sectors and regions having a higher priority, shall be discriminated for.

(3) Postal Saving System:

The postal check system will be improved and a part of the funds to be accumulated shall be transferred to the Central Bank in a way similar to that applicable to reserve requirements in the banking system.

(4) Insurance Companies:

Expansion, modernization and minimizing of service expenses are considered essential for the insurance companies.

With a view to eliminating the unfavourable effects of uncertainties as to system and legislation on the development of the insurance activities, basic principles have to be clarified in an open and certain manner.

Legislation governing the control of insurance activities shall be amended in a way to ensure the proper control of the insurance companies towards protecting the rights and benefits of those insured, making sure of the payment of actual damages and establishing the necessary technical guarantees, and directing the insurance funds into sectors and regions having priority.

A reasonable competition among the insurance companies should be secured.

Monopoly and other public services concessions granted by the State to the National Reinsurance Company shall be transferred to a public enterprise at the end of the established time limit.

Export insurance services shall be carried out by one of the existing financial institutions instead of founding a new one.

Foundations of new insurance companies shall not be encouraged, but amalgamations through the purchase of shares shall be supported.

Insurance transactions of the public sector organizations shall be carried out through direct contact with the company, without paying a commission to a middle-man.

Liquidation of the internal funds established in the public sector organizations because of difficulties encountered in setting aside cash funds sufficient to meet the risk and in providing a reinsurance service, and insuring the valuable to the insurance companies having the status of a State Economic Enterprise, is considered essential.

In case the direct purchase of insurance and the adoption of a flexible price system is realized parallel to the reorganization in the public sector organizations, the possibility shall be investigated towards letting these organizations free in selecting the insurance company they desire as to general conditions.

V.9.4. Semi-Financial Institutions (Compulsory Insurance and Pension Organizations)

Instead of founding independent new organizations parallel to the expansion of the scope of compulsory insurance and pension services, efforts will be made to make use of the existing organizations and thus

to ensure a saving in administrative expenses and standard implementation.

Standardization efforts shall have to cover the subjects such as premium payments on gradual basis and additional services.

Adaption of the responsibilites of these organizations to the changing and developing living standards and making better use of funds shall be based on the level of actual accounts. Additional burdens of social character shall be imposed only if public subsidies are made available.

V.9.5. Financial Institutions Providing Services

(1) Stock Exchanges:

Stock exchanges shall be reorganized in the form of specialized service organizations apart from foreign exchange and precious metal transactions.

(2) Others:

Foundation of specialized organizations to render intermediary services in the capital market is considered essential. Until such time that these organizations are founded, banks shall be encouraged to carry out these services.

With a view toassisting the promotion of the capital market, the profession of Certified Public Accountants shall be developed, during the plan period.

During the plan period, the foundation and development of "investment companies", and " installment finance companies" shall be encouraged.

V.9.6 Cooperatives

During the Second Five Year Plan period, great interest was shown towards the foundation of organizations in the form of cooperatives, particularly in the agricultural sector. Cooperative movements were also encouraged by the public sector organizations. These two important factors have caused a rapid increase in the numbers of cooperatives and of cooperative members.

The increase in the numbers of cooperatives and of cooperative members, however, cannot be considered as a sign of success in cooperative movements. Failure of the members in making best use of the cooperative resources and in participating in the administration of cooperatives has formed the principal obstacle for the success of these organizations. Rapid increase in numbers causes the withdrawal of the limited public funds set aside for the support of these organizations. Lack of coordination between the public organizations encouraging cooperative movements and the encouragement of these movements at the phase of establishment only, are also among the factors preventing the development of cooperative movements.

Nevertheless, cooperatives made favourable contributions for the economic and social developments during the Second Plan period.

Village development cooperatives established in that period have been influential in directing the savings of the Turkish workers abroad towards agricultural investments in the rural areas. Agricultural sales cooperatives and unions established for the purpose of marketing agricultural products, other than those established for price support purposes, continue to make favourable contributions in the agricultural sector. Conversion of the agricultural credit cooperatives to the form of multi-purpose cooperatives, and their intermediary role in the procurement of basic agricultural inputs, provides possibilites towards strengthening the producer-members.

Enactment of an independent cooperatives law covering the activities of all cooperatives excluding agricultural credit and agricultural

sales cooperatives, and legislative amendments providing possibilities for the conversion of agricultural credit cooperatives into the form of multi-purpose cooperatives and authorizing them to receive deposits, constitute the two basic developments attained in the field of cooperatives during the Second Plan period.

Basic problems of importance at the beginning of the Third Plan period are firstly, the lack of interest towards the organizational set up at higher level despite the requirement of the Cooperatives Law, and secondly, the creation of artificial cooperatives especially in the housing sector by making use of facilities provided for the cooperatives by the State.

Cooperatives policy in the Third Plan period aims at making use of cooperatives for the purpose of directing the individual labor force, skill, and savings potential towards accelarating economic and social development. Cooperatives will be developed into democratic organizations providing equal rights and imposing equal responsibilities for their members.

Cooperatives which create the possibility of making better use of personal contributions, in addition to small personal savings, shall be beneficial as a tool in the realization of group projects and performance of services.

The basic aim is to establish multi-purpose cooperatives in the agricultural sector.

Consumers' cooperatives in particular, shall be encouraged in the non-agricultural fields.

The State will provide support for cooperatives in organisational and training activities, will introduce a control system to protect the rights and benefits of the cooperative members, and prevent the creation of artificial cooperatives.

The necessary work will be initiated to establish a Central Cooperatives Bank to be responsible for guiding the cooperative activities and coordinating the use of subsidies, in order to make best use of cooperatives and to realize an efficient functioning in this field.

PART VI

REFORMS

VI.1. JUSTICE REFORM

(1) Reform studies on justice, toward aims listed below, will be started at the beginning of the TFYP.

(i) Juridical services will be improved to be qualified, efficient and deliberate.

(ii) The structure of the system will be changed into a dynamic and flexible one capable of regenerating itself in order to meet the changing needs;

(iii) The justice section will be equipped with information and technical facilities suitable to requirements necessitated by the Constitutional principles, its effectiveness will be enhanced to decrease social problems and keep the existing ones within narrow limits.

(iv) Training of present personnel will be secured to raise the quality of juridical services to the target level.

(2) Justice reform will be considered as a whole covering organization, functioning, equipment and personnel. Studies will be conducted within the Ministry of Justice bound by principles envisaged in the New Strategy, TFYP and related programmes. Reform will be realized, not as a complete change of the existing system, but within a related priority and timing schedule. To secure the consistency of studies and efforts and the conformity to principles stipulated in the TFYP, academic circles, other professional and public institutions and their studies will be consulted.

(3) The following will be observed and secured concerning the institution to undertake reform studies:

(i) that the institution not grow more than necessary during the course of studies;

(ii) that its financial requirements not exceed available sources;

(iii) that the institution is effective and efficient.

VI.2. LAND AND AGRICULTURAL REFORM

(1) One of the major reforms to be taken up during the TFYP period is the Land and Agricultural Reform. With Land and Agricultural Reform continuing increases in production will be secured through distribution of land to landless and small land owning peasant families; through long-term organization and equipment of farmers and through the development of land tenure relationships in accordance with the objectives of "improving the standard of living and income distribution" and "increasing productivity".

(2) With this aim, land above certain sizes, according to regional conditions, and land inefficiently operated by owners will be nationalized and distributed to landless or small land owning peasant families, together with unnecessary state-owned land including areas subject to land improvement. In land ownership sufficient size of family holdings and preservation of existing ones will be a major consideration. Consolidation of fragmented land will be made, to the extent productivity is secured.

(3) In case the distributable land is insufficient for all landless or small land-owning farmer families, attempts will be made to transfer these families to other sectors of the economy in a manner suitable to the aims of "solution of the unemployment problem". Efforts toward this end, however, are not to delay "industrialization".

(4) The basis of the Land and Agricultural Reform will be its regional application. In applications of the first few years time needed for the establishment of a necessary organization and the training of personnel will be given due consideration. In the course of executing Land and Agricultural Reform use and regulation of grazing on summer and winter pastures will be secured; maintenance and improvement of these pastures will be taken up.

(5) In the determination of land size to be distributed "sufficient income generation for farmer families" and "gainful employment of labor force" will be the basic considerations. Regional conditions will be considered in calculating the minimum and maximum size of land to be nationalized and the area to be left to the landowner. Necessary amendments will be made in inheritance regulations to protect the integrity of sufficient income generating enterprises; the best use of labor force who have to leave such enterprises because of inheritance regulations will be planned in advance. The aim will be to keep families at a sufficient income level and priorities will be set accordingly, in case of those who cannot be given land, relief will be brought by their transfer to employment in other sectors and abroad.

(6) Incentive measures will be taken so that cooperatives will develop in accordance with constitutional principles; and the cooperatives will be set up to aid the farmer in all fields. Incentive measures will be taken to transfer nationalisation payments to the industrial sector; these measures will be reformulated according to new conditions that may emerge.

(7) Necessary cooperation and coordination of various field organizations and proper consideration of infrastructural investments in harmony with the application of the reform together with the development of cadastral services, soil and water resources in the preparation of the Five-Year Plan and Annual Programmes will be secured to provide all infrastructural services, such as roads, water, electricity, settlement, education, health and communications, to reform regions. To solve the probable disputes in a manner not to slow down the implementation of the reform necessary reorganization will be made in juridical services, solution of some disputes will be attempted through administrative arbitration.

(8) In view of present conditions the price of nationalization is to be paid in one suitable down payment and equal installments over 19 years with a 6 percent interest and the nationalization and distribution of land is to be completed in 15 years. Investment requirements thus arising have been determined accordingly for each plan period.

VI.3. EDUCATION REFORM

The education reform will be made to achieve the educational structure explained in the Chapters II.3 and IV.9 in conformity with the principles and aims specified in those chapters. Only the outlines of the new educational system is mentioned here.

(1) An educational system appropriate to the industrialization efforts will be developed along with raising the Turkish youth with the qualities specified in the Section IV.9.5.

(2) In the new educational system the basic consideration is to provide professional skills required by the labor market. The informal and the formal education system will be made use of to the greatest extent possible to reach this aim. In particular, the informal education system will be extensively reorganized so that those outside the formal system quickly join the labor market.

(3) Reorganization will be made so that the preliminary skills and knowledge for occupations demanded by the labor market will be available within the basic eight year education programs.

(4) Secondary education will be composed of general, vocational and technical lycees (high schools). Schools for vocational and technical education will be given weight and organized in sufficient numbers and quality to raise the manpower in demand on the labor market. Technical and vocational lycees will be kept distinct from general lycees. Direct relationships between the labour market and these schools will be established, their technical and vocational emphases will be improved and preserved.

(5) For training the manpower that will provide for technological innovation and adaption of technology and the manpower that will be production-oriented, a two channel system will be established as "universities" and as "other higher education institutions." The relative capacities of these two types of institutions will be specified according to the technological level at different phases of development. The institution and development of "other higher education institutions" will have priority as the result of the need to train labor for priority vocations.

VI.4. REFORM OF THE PUBLIC SECTOR

VI.4. 1. Public Administration

(1) The basic principle is for public administration to carry out its duties fast, with quality and productivity with a view to reconciling the choice of "development through industrialization" with the social and economic rights the Constitution recognizes for individuals and for it to be a conscious pace-setter of development.

(2) Under this major principle, public administration reform studies will be started with the aim of:

(i) improving the quality of public administration to perform its duties fast and economically,

(ii) systematizing public institutions to become flexible and dynamic institutions to keep pace with changing needs,

(iii) freeing public sector from being a burden on the economy and making it the conscious pace-setter in development and a leader for social and cultural integrity by equipping it with the information and technique called for by the national choice of "development through industrialization",

(iv) raising an administrative staff of high quality and skilled personnel.

(3) The reform will be realized to make the public sector gain the characteristics established and developed in the Constitution and Turkish public law.

(4) The reform will be taken up as a whole covering the entire public sector (central government and its provincial agents, local governments and public enterprises), its structure, operation, equipment and personnel.

(5) The reform will be executed by public sector agencies within the principles envisaged in the New Strategy, the TFYP and the annual programs, and these institutions will be made capable to renew themselves according to developments by 1977.

(6) In preparation of reform laws for the public administration the following will be given due consideration: to secure efficiency and productivity, not to increase the financial burden and not to expand beyond needs.

(7) The reform model and principles will be established by the government.

VI.4. 2. State Economic Enterprises

(1) Reform studies to raise efficiency and productivity in SEE's to increase resource creation possibilities, to materialize the accumulation of technical knowledge and skill, the necessary adaptation and production thereof in these enterprises, and aiming at restructuring the enterprises so as to renew themselves are necessary.

(2) In reshaping the SEE's in line with the targets above changes will be made within a period of time and in a manner not to disrupt their existing order; thus a smooth execution of the reform will be secured.

(3) Enterprises will assume their new responsibilities as soon as application starts, after the principles of the reform are established.

(4) Efficiency and productivity targets will be specified with certain numerical ratios and will be continuously followed and audited.

(5) The reform will be started and carried out within the Turkish Public and Civil Law principles and institutions against and foreign to the system will be avoided. Same or similar structuring of the enterprises will be attempted keeping in mind individual characteristics relative to their duties.

(6) The reform according to the principles of mixed economy will be made to organize the enterprises to complement each other.

(7) The SEE's will have flexibility in their activities and will be outside the general government administration, budgetary and accounting system. In the determination of price and tariff policies of [illegible] the government will adhere to the principles stipulated in Annex 1.

(8) The goal, coverage and principles of the reform will be determined by the Council of Ministers.

ANNEX 1

Principles of Price, Tariff and Budgetary Support Policies

(1) The SEE's will use the market price as an indicator in reasonably competitive areas and will avoid unnecessary losses that would arise due to lower pricing.

(2) In cases profit maximization is not clearly envisaged, public enterprises will take total cost plus a reasonable profit as a basic criterion in price determination. In determining prices increasing the existing capacity utilization will also be considered.

(3) Price may be set below cost to encourage optimum capacity utilization for a period in new investments undertaken in decreasing-cost industries, with due regard to the cost-lowering and demand-augmenting effects of interdependent activities. In such cases losses will be compensated for through the budget. Under proper conditions, possibilities of price differentiation will be considered together with capacity utilization.

(4) Price or tariff changes called for by market forces will be made on time, so that compulsory drastic changes are avoided.

(5) Losses encountered by SEE's due to obligations such as (i) implementation of a price policy to affect income distribution (ii) investment in priority regions, (iii) over-employment, uneconomic location choices due to other political and social preferences, will be compensated for from the budget.

(6) Such subsidies to be paid and incentive measures also open to the private sector will not be regarded as "outside resources" in correct evaluation of enterprise productivity.

(7) Financial tools other than budgetary subsidies for losses due to economic, social and political preferences will not be utilized and the principle of equality in the implementation of economic policies both for the public and the private sector will be observed.

ANNEX 2

Investment Principles of the State Economic Enterprises

(1) Envisaged investment areas of the state other than education, health, administration and general infrastructure, can be listed as below.

(i) Basic and leading investments that have a long period before they become profitable but are necessary for economic benefit of the nation, that increase accumulation of technology, that suggest profitable investment opportunities in other sectors and that will affect the direction and rate of growth of economy,

(ii) Investments that have a monopolistic potential due to the strategic character of the production and due to the necessity of large scale investment for an economic capacity,

(iii) Investments related to strategic natural resources that have to be utilized for public benefit in the most efficient way,

(iv) Industrial investments that are especially important for national security,

(v) Investments that are not undertaken by the private sector due to resource shortages or due to risks arising from the acquirements of advanced technology and organization, despite commercial profitability and support through a system of encouragement measures,

(vi) Investments in industrial installations in priority regions for development.

(2) Of these, those outside the domain of general and annexed budgets will be undertaken by the SEE's.

(3) SEE's will not invest in fields where the private sector is sufficiently successful and will not expand their operations unnecessarily. except undertaking complementary investments to improve operational efficiency of their present plants.

VI.5. REFORM OF THE MINING AND PETROLEUM ADMINISTRATION

VI.5. 1. Coverage and Aims of the Reform

(1) The Mining and Petroleum Reform envisages changes regarded necessary to operate all known mining potential, including petroleum, and to provide for the greatest advantages within a long-term period. Realization of changes and recommendations requires reformulation of the existing laws, and reorganization in the structure and operation of related institutions.

The aims of such reorganization are:

(i) Reformulation of procedures and regulations related to the Mining Law; meeting raw material input needs of the basic metal industry and energy; increasing sources of foreign exchange earnings, and on the other hand, arranging for explorations set according to priorities; development of known mine reserves and their best utilization for public needs and the national benefit.

(ii) Lignite mines not operated productively or those necessary for electricity production, and strategic mines (radioactive minerals, tungsten and borates) will be exploited by public enterprises in accordance with Article 130 of the Constitution. Decisions determining which mines are strategic will be taken by the Council of Ministers upon the proposal of the State Planning Organization after consultation with the Ministry of Energy and Natural Resources.

(iii) Immediate amendment of clauses in the Petroleum Law that contradict national interests and exploration, operation and marketing of petroleum according to the principle of meeting domestic demand from domestic sources,

(iv) Restructuring main petroleum storage units to meet national requirements,

(v) Increasing the amount of investments in energy to meet increasing demand on time so that priority utilisation of domestic energy resources for domestic demand is secured.

VI.5. 2. Principles of the Reform

(1) The principles of the Mining and Petroleum Regime Reform set to reach the envisaged targets cover, first, improvement of mine and petroleum exploration and operation activities, reorganisations in related public enterprises, and amendments in related laws to facilitate the public sector to fulfill its duties.

(i) The main principle will be to improve immediately known mine reserves and keep their operation national.

(ii) Mines will be exploited to meet the raw material demand of industry on time and in sufficient amounts as well as to the best benefit of the country. Meanwhile, exploitation of mines with a high external demand will be encouraged through incentive measures.

(iii) Amendments of the Mining Law will contain the following points:

a. Products presently covered by the "Regulations for Quarries" but more properly should be covered by the Mining Law will be included in the coverage of the latter, and a new law will replace the "Regulations for Quarries".

b. Exploration licenses will be issued by mineral groups; specific limitations will be put on "exploration area" covered by the license according to mineral group under consideration.

c. Financial and technical guarantees will be required for the issuance of an exploration license.

d. Exploration activities will be programmed and the progress will be under continuous supervision; whenever necessary, suitable changes will be made during exploration.

e. The "specified conditons of the mine operation" can be changed by the ministy in charge in line with developments in the economy with the potential and best use of the mineral.

f. The subject of "state rights" will be put in the order of: (a) state rights, (b) provincial rights.

(iv) The "Mining Department" will be reorganized to carry out necessary long-term studies on mining policies, examine the international mineral markets, keep up with technological development, evaluate exploration license applications within six months, prepare every three years a reserve report indicating the requirements of exploration in the licensed areas, to set up regional offices with greater capacities and more responsibilities; and follow up the activities of the export and supervision firms to make sure they are performing their obligations to the realization of the reform goals.

(v) Public sector exploration activities will quicken in pace, Mining Research and Exploration Institute (MTA) will be developed to achieve this goal. In general, although MTA will be responsible for mineral exploration, in some areas, Etibank and Turkish Coal Mines (TKI) will have specified responsibilities.

(vi) The Petroleum Law will be changed so as to evaluate petroleum sources in accordance with the modern technology, timely, efficiently and in a way most beneficial to the country.

(vii) Exploration, production, refining, transportation and marketing of state-controlled petroleum will be carried out by a single public organization.

(viii) Petroleum Department will be reorganized from technical, administrative and financial points of view so as

- a. to control all activities regarding petroleum. (All the information obtained from petroleum activities - geology, geophysics, etc. - will be evaluated and used for the best benefit of the country.)

b. to secure that the refinery production programmes will be prepared and implemented in the most suitable way for the foreign and domestic markets.

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